Hudson Bay Mining and Smelting Co., Limited

Annual Repor[t] 1982

1982: a year of challenge for HBMS and its people

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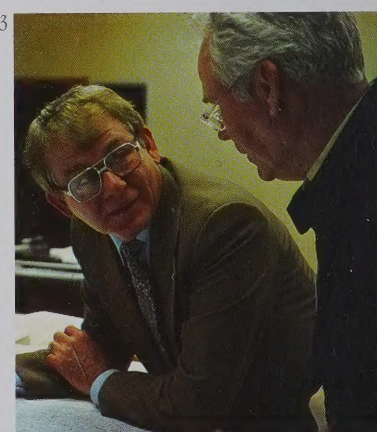

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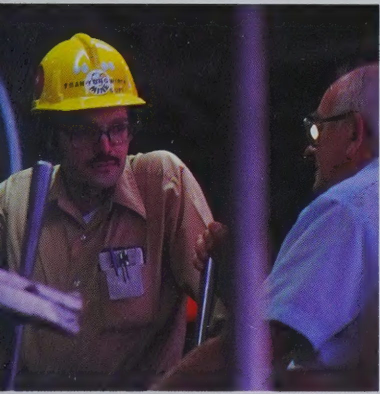
Cover Photo — On a cold winter's day in Flin Flon, Keith Callander, right, vice-president and general manager of the Flin Flon/Snow Lake operations, discusses an operational matter with Dale Powell, manager of industrial relations.

Captions for photographs (1-12). See inside back cover.



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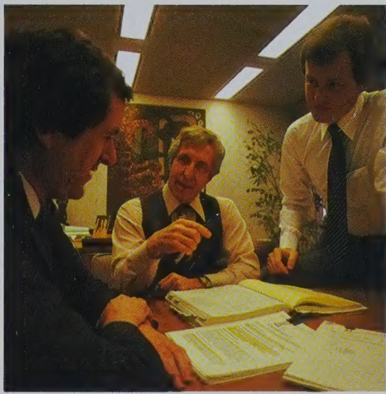

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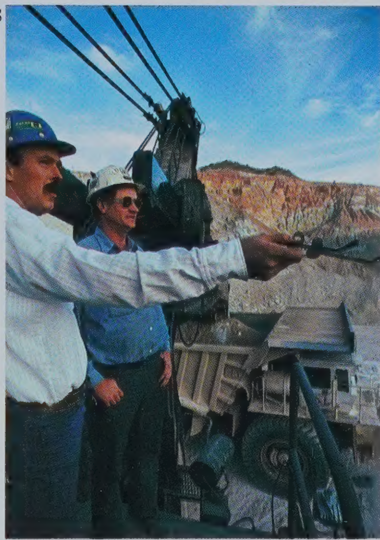

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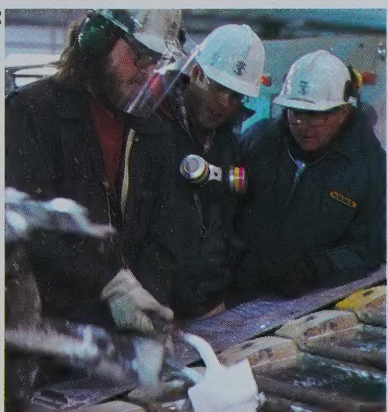

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Hudson Bay Mining and Smelting Co., Limited is a large diversified natural resources enterprise. Operations are carried out through divisions, subsidiaries and joint ventures with associated companies in Canada and the United States and other areas of the world.

Its business is the production, processing and marketing of natural resources and products for the agricultural industry. Specifically, HBMS is involved in the exploration for and the mining and metallurgical extraction of base and precious metals, mainly copper, zinc, gold and silver; fertilizer and agricultural chemical production; oil and gas exploration and development; coal mining; industrial operations and the marketing of all of these products.

The common shares of the corporation are listed on the Toronto, Montreal and New York stock exchanges. At year end, there was a total of 10,231,044 common shares of the corporation issued to a total of 7,654 shareholders.

The past year was a most difficult one for the natural resource industries. Expectations in late 1981 of a shallow economic decline and a rebound by mid-1982 rapidly gave way to the realities of a prolonged recession and dramatic declines in the demand and prices for a broad spectrum of natural resource products. In consequence, only our oil and gas sector ended the year with positive but reduced earnings.

On a consolidated basis, your Company's net operating loss in 1982 before an extraordinary item was $Cdn64.2 million. After realization of an extraordinary gain of $Cdn55.5 million from the settling of the compensation for the Churchill River Power assets, your Company reported a net loss in 1982 of $Cdn8.7 million. This compares to a net loss of $Cdn10.8 million in 1981.

The Plateau Group of companies, owned 50% by your Company, had a combined pro-forma net loss of $US43.2 million, of which your Company's share amounted to $Cdn24.6 million. This group includes Inspiration Consolidated Copper, Inspiration Mines, Terra Chemicals, Inspiration Coal and Trend International.

Declines in new North American housing starts, automobile production and major construction projects affected the demand for many primary metals. Depressed base metal prices, and in particular the price of copper, which in real terms fell to its lowest level in fifty years, impacted severely on our mining and metallurgical operations in Canada and at Inspiration Consolidated Copper in the United States. Losses from this sector amounted to some $Cdn28.9 million and $US25.3 million, ($Cdn 31.2 million), respectively.

A delay in spring planting, the seriously depressed U.S. agricultural economy, a decrease in demand and a cost-price squeeze impacted on our agricultural products operations at Terra Chemicals where losses in 1982 amounted to $US2.5 million ($Cdn 2.8 million).

Reduced demand from North American power utilities, depressed steel industries and a weak coal market in Europe seriously affected the operations at Inspiration Coal. The net loss at Inspiration Coal for the year amounted to $US14.2 million ($Cdn 17.6 million).

Trend International earned $US15.1 million ($Cdn 18.7 million) despite declining crude oil prices, higher operating costs and interest

Reuben Richards (seated) chairman, president and chief executive officer, in conversation with Blair Howkins, executive vice-president.

expense incurred on the long-term debt associated with the Adobe Oil & Gas stock acquisition. The Company's share of Francana Oil & Gas' losses to May 14, 1982 was $Cdn1.6 million when the petroleum assets were reorganized.

As a relative newcomer to the organization, I have been impressed with the extraordinary efforts expended by dedicated people in all areas in coming to grips with a most difficult economic period. The theme of our Annual Report this year underscores this dedication. Although it was not possible to offset the effects of the recession on our businesses, our production capability was maintained. Operations are now generally more efficient and this augurs well when the economy strengthens.

Various modernization projects initiated in previous years were completed in the first half of 1982. These include a new zinc casting plant and two new mines brought into operation at Flin Flon and Snow Lake. At Inspiration Copper, a

modified converter was commissioned in the smelter, new haulage trucks were purchased and tankhouse improvements were completed. Since then, capital expenditure cuts and other cost cutting measures such as staff and salary reductions and plant shutdowns have resulted in a significant slowdown of cash drains as the year progressed. The primary emphasis at all operations continues to be management of cash.

The uneconomic Christmas mine in Arizona was shut down indefinitely, and extremely weak markets in the face of high tantalum inventories caused us to suspend operations at Tanco near Bernic Lake, Manitoba. In addition, exploration expenditures for metals and for oil and gas were severely reduced in Canada and the United States.

After paying a cash dividend of 10¢ per share in the first quarter of 1982, the Board of Directors did not declare dividends in the second and third quarters. However, the Board declared a dividend of 20¢ per share in the fourth quarter of 1982, paid in common shares of the corporation.

A number of other significant developments occurred in 1982, including the completion of the reorganization of the petroleum assets and the acquisition of the Wheelwright coal properties. Discussions regarding a possible joint venture with a subsidiary of Compagnie Francaise des Petroles were terminated during the year, and in early 1983 the notes totalling $US122.7 million issued on the 1981 Sovereign Coal acquisition were repaid.

Despite efforts on all fronts, your Company, like many resource enterprises, ended the year in a less than satisfactory overall financial position. The principal effects of this deterioration were an increase in debt and the high cost of servicing this debt.

From a balance sheet perspective, at the HBMS level our year-end long-term debt now stands at $Cdn90.2 million, and the cost of servicing our debt more than doubled to $Cdn17.1 million in 1982. At the Plateau Group level, the year-end long-term debt rose to $US307.6 million. These financial obligations constrain the Company's growth and the speed with which we return to profitability. In order to improve the situation, a number of alternatives were given serious consideration.

On March 4, 1983 the Board of Directors announced a proposed reorganization to pool the joint interests of HBMS and Minorco in the Plateau Group with the Canadian and other interests of HBMS in order to simplify the corporate and management structures within a single entity. It is also intended that the new structure will enable better access to capital markets both in Canada and in the U.S. The reorganization will result in Plateau Holdings Inc. acquiring the voting stock of HBMS, with the present shareholders of HBMS, other than Minorco, having the option at the time of the reorganization to elect to receive either special shares of HBMS or common shares of Plateau Holdings Inc.

The overall effect of the proposals, if implemented, will be that the joint U.S. investments of Minorco and HBMS will be pooled in a public U.S. company, Plateau Holdings Inc., which will have HBMS as a Canadian subsidiary owning the present Canadian operations. While Minorco will own about 60% of the equity of Plateau Holdings Inc., Minorco has agreed to restrict its voting rights to below 50% and Plateau will, therefore, not be a consolidated subsidiary of Minorco.

After completion of the reorganization, it is proposed that, subject to market conditions, public offerings of additional equity shares will be made and Minorco has agreed to participate in such financing.

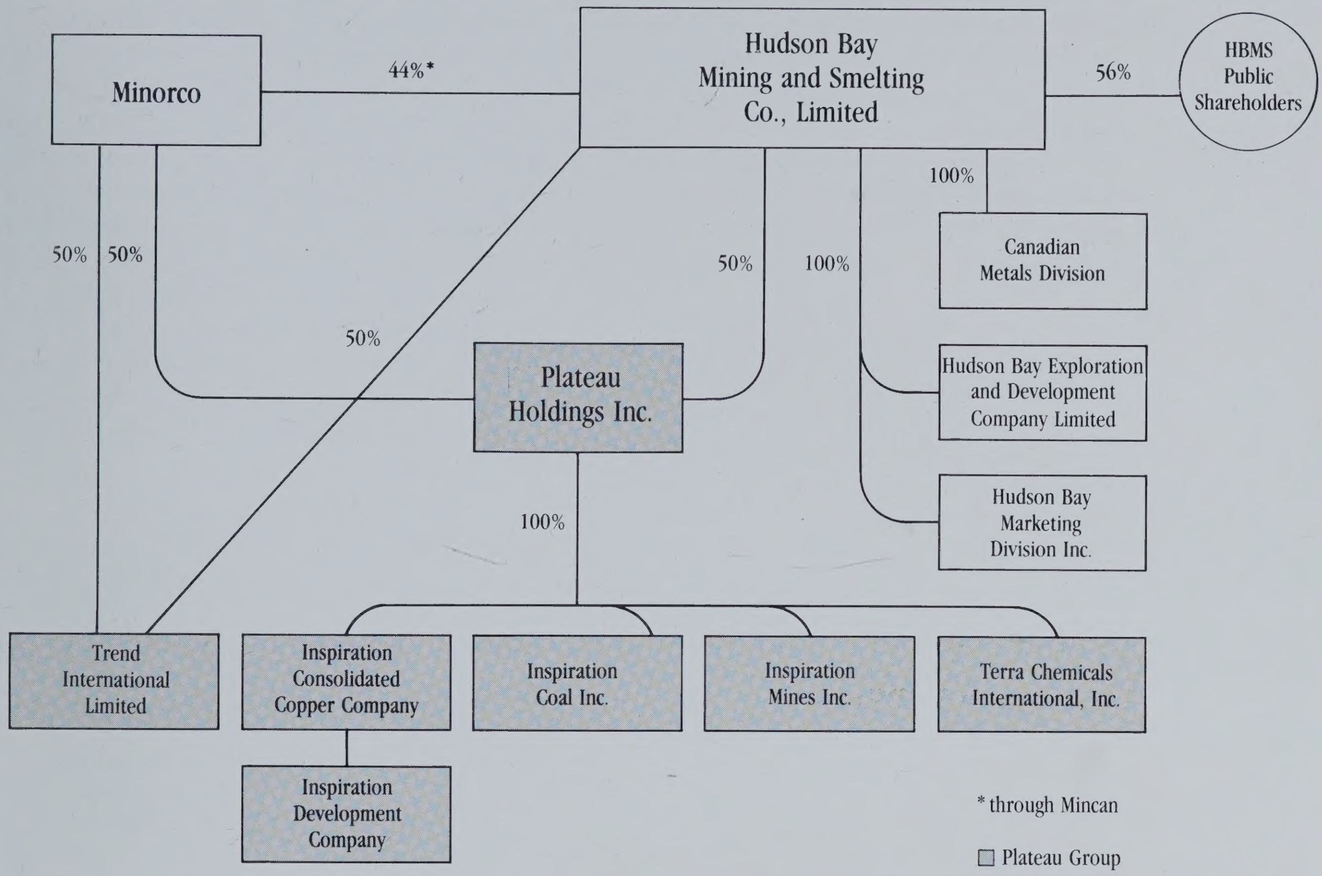
The specifics of these proposals will be incorporated into proxy material that will be sent to shareholders in May. The reorganization is conditional upon the approval of shareholders and regulatory authorities. The Annual and Special Meeting of Shareholders is planned for June.

I was appointed your Company's Chairman, President and Chief Executive Officer on December 9, 1982 to succeed Mr. E. Peter Gush who will continue as a member of the Board of Directors. The Board also appointed Dr. J. Blair Howkins as Executive Vice-President. I would like to express my appreciation for the many contributions made by my predecessor.

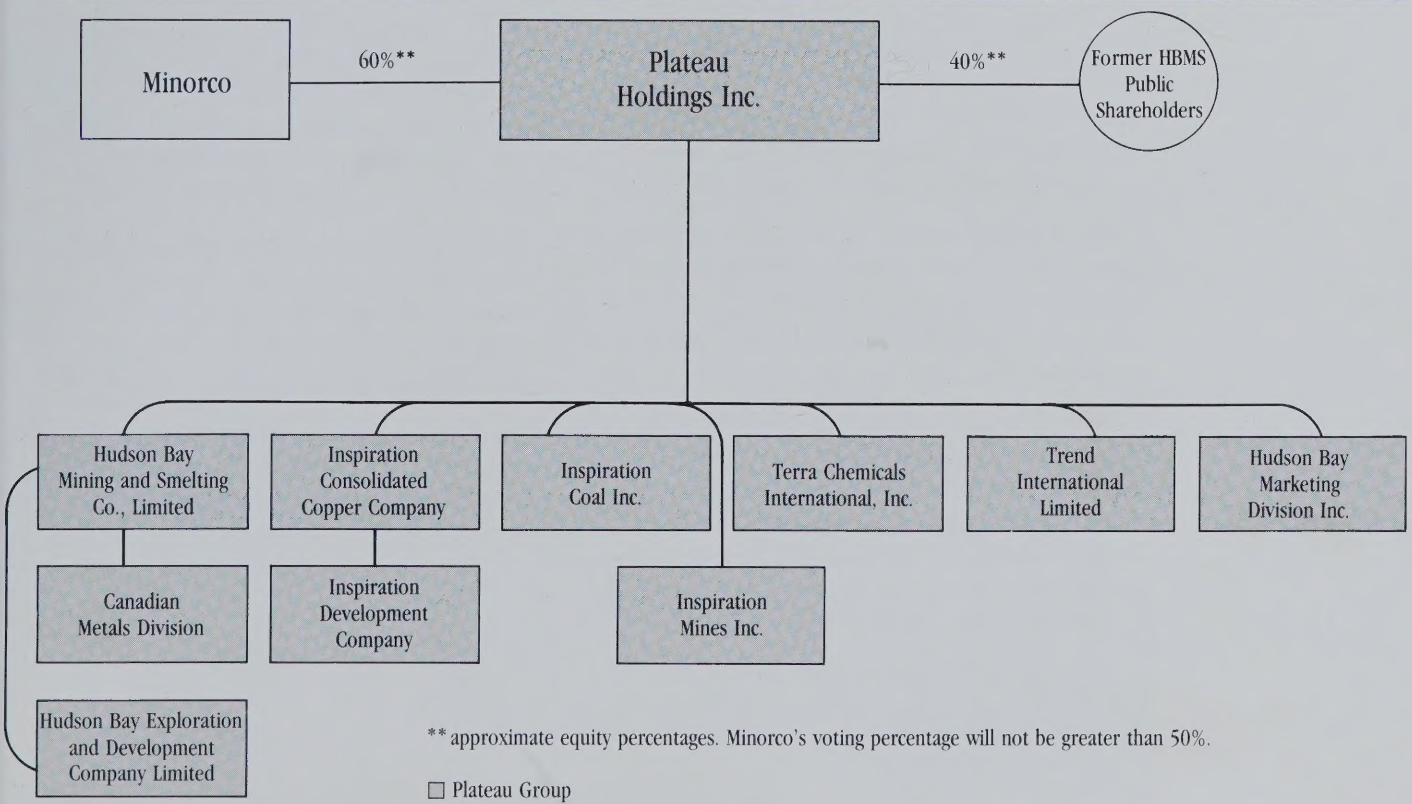
R. F. Richards

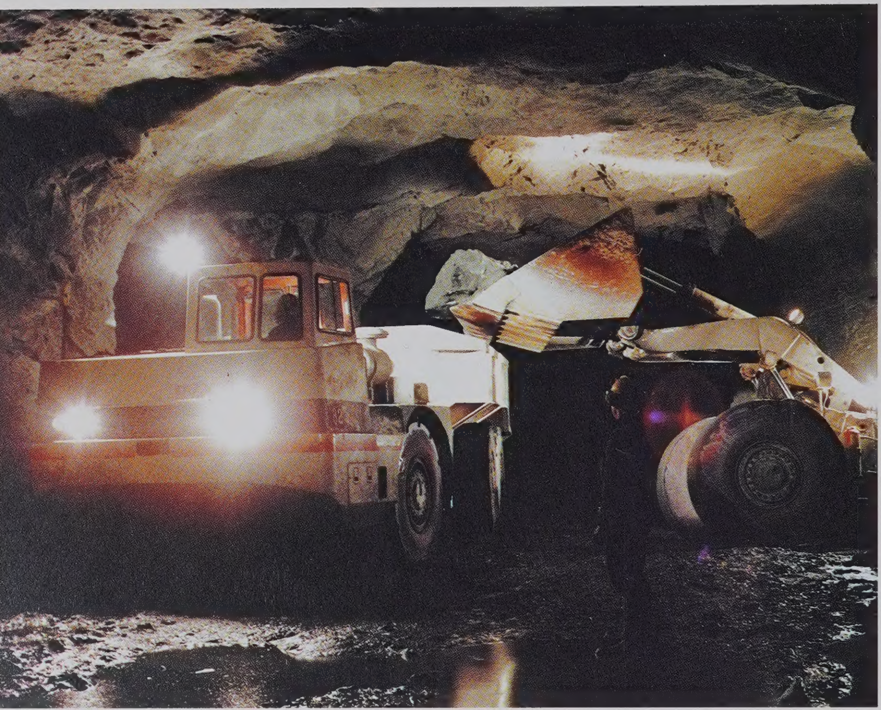
R. F. Richards
Chairman, President and
Chief Executive Officer
March 21, 1983

1982 Organization



Proposed Reorganization





A scoop tram loading ore onto a truck underground at Trout Lake.

The Division's net loss in 1982 was $Cdn28.9 million ($Cdn1.0 million loss in 1981). Consolidated sales in 1982 were $Cdn250.0 million compared to $Cdn291.7 million in 1981.

Uneconomic product prices and restrained demand necessitated production cutbacks and cost cutting measures to reduce losses and stem cash outflows. Introduction of productivity improvement programs substantially lowered unit costs. These measures, however, were outpaced by falling metal prices. Personnel levels were reduced while maintaining, or even exceeding, budgeted production levels. Labour productivity improved on average by 23%.

The primary emphasis at all operations was management of cash through operating cost reductions and deferral of expenditures on exploration, mine development and all capital projects.

At Flin Flon/Snow Lake two new mines — Trout Lake and Spruce Point — were brought into production. The new Zinc Casting Plant was commissioned. White Lake mine was closed due to ore depletion. To reduce metal inventories, operations were shut down for 8 weeks resulting in costs of $Cdn5.9 million.

The 1982 safety performance for the Flin Flon/ Snow Lake operation improved significantly in comparison to recent years. There was a 21% improvement in frequency and 24% improvement in severity; the best over-all performance in the past decade.

The Snow Lake area continued their excellent safety performance and even improved on the performance that won them the John T. Ryan Regional Award in 1981.

Five mines worked the entire year without a lost-time accident: Chisel/Ghost, Anderson, Osborne, Centennial and White Lake. The Chisel/ Ghost Lake operation was awarded the Snow Lake Area Safety Award and the HBMS Frequency Shield for 1982.

The Flin Flon area mines, with their best performance in 11 years, were selected as the 1982 President's Award winner for the department with the best overall improvement in safety.

Collective bargaining agreements were reached during the early part of 1983 between the Company and both Local 7106 U.S.W.A. and the Trades Association.

The economic reserves at Whitehorse Copper Mines were exhausted by year end. Development was suspended in June, permitting the mine to operate on a profitable basis for the balance of the year. The mine terminated production in December. The assets are being prepared for disposal.

Tantalum oxide market was down and is forecast to remain weak; this factor, associated with a large product inventory, resulted in a decision at year end to suspend Tanco's mining and milling operations for an indefinite period.

Market for sodium sulphate was good and Francana Minerals exceeded budgeted performance. Demand for zinc oxide and zinc diecastings, both tied closely to automobile production, was weak throughout the year.

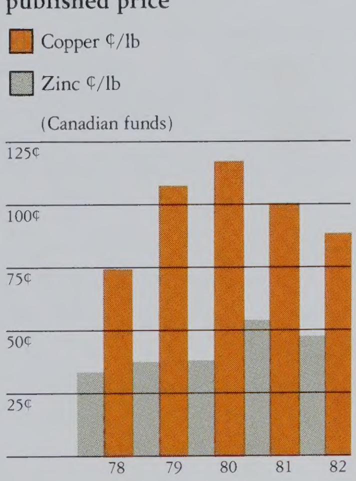
Significant improvements in productivity and cost reduction programs in the industrial operations give rise to expectations of profitability, should an economic upturn occur.

Hugh Dakin, left, smelter superintendent, and Evert Bron, manager, metallurgy, are lit by the glow from copper pouring at Flin Flon.

PRODUCTION AND ORE RESERVES

	1982	1981	1980
		(quantities in thousands)	
Flin Flon/Snow Lake Operations:			
Metal Production (includes purchased material)			
Refined copper (lb)	121,264	148,267	145,013
Slab zinc (lb)	122,865	149,194	153,031
Gold (oz)	70	65	74
Silver (oz)	1,360	1,267	1,315
Mine Production			
Tons mined	1,798	1,935	1,875
Copper (%)	2.13	2.01	2.10
Zinc (%)	2.76	2.34	2.61
Gold (oz/ton)	0.043	0.034	0.035
Silver (oz/ton)	0.529	0.486	0.536
Ore Reserves			
Tons	14,400	16,143	17,070
Copper (%)	2.66	2.58	2.67
Zinc (%)	2.8	2.9	2.8
Gold (oz/ton)	0.035	0.034	0.035
Silver (oz/ton)	0.51	0.53	0.54
Whitehorse Copper:			
Ore milled (tons)	898	800	854
Copper (%)	1.39	1.42	1.58
Tantalum Mining Corporation: (37.5% owned)			
Ore milled (tons)	142	152	162
Ta_2O_5 (%)	0.125	0.122	0.136
Tailings milled (tons)	38	55	35
Ta_2O_5 (%)	0.067	0.059	0.055
Ore Reserves			
Tons - ore	1,081	1,154	1,210
- stored tailings	702	743	798
Ta_2O_5 (%) - ore	0.138	0.144	0.139
- stored tailings	0.065	0.065	0.073
Francana Minerals			
Sales (tons)	100	91	95

HBM&S average published price



Inspirod, one of Inspiration Copper's quality end products from the rod mill.

In 1982, Inspiration Copper lost $US25.3 million, on deliveries of 142.0 million pounds of copper. This compares with a loss of $US17.5 million on deliveries of 141.3 million pounds in the previous year. Revenues decreased from $US160.7 million in 1981 to $US141.1 million in 1982. Adversely affecting 1982 results were severely depressed metal prices and a reduction in toll operations, while the 1981 loss included a gain of $US10.4 million on the sale of Inspiration Copper's Ferron Canyon coal property in Utah.

Production of copper from Inspiration Copper's mines decreased marginally from 125.9 million pounds in 1981 to 123.9 million pounds in 1982. This comparable production was achieved despite the closure of the Christmas Mine, which produced 17.8 million pounds in 1981. Considerable improvement was achieved in reducing unit costs per pound of copper produced due to a combination of increases in productivity, reduction in the wage and salary work force and decreased consumption of materials. Increases in depreciation charges and interest expense partially offset the effect of these cost reductions.

As of year end, the mine operations department had worked 52,000 shifts (over 17.5 months) without a lost-time accident and an all-time departmental production record of 3.6 million tons was established in the month of October. Productivity in the dump leach, ferric cure and solvent extraction operations was substantially increased. The efficiency and cost effectiveness of this new production system is encouraging.

The major supplier of toll material to the smelter shut down for economic reasons in June, 1982. The Inspiration Copper smelter shut down for maintenance in August and a molten metal runaway which occurred on October 2 caused extensive damage and delayed start-up. The physical damage and business interruption costs were covered by insurance. Production from stockpiled material was resumed January 3, 1983.

An on-line computer system has been installed to improve accounting, reduce costs and facilitate access by management to needed information. Engineering, maintenance and construction supervision have been consolidated in one department for greater efficiency.

At the end of 1981, a cost cutting program known as "Operation Shoestring" was introduced, which included drastic cutbacks in both salaried and wage personnel, greatly reduced capital spending and major reductions in maintenance supplies.

Capital expenditures for 1982 were greatly reduced and amounted to only $US11.1 million, compared with $US36.1 million in the previous year. Major expenditures in 1982 were: $US2.7 million for haulage trucks for the open pit, and $US1.2 million for relocation of mine facilities to allow for pit expansion.

The outlook for 1983 will depend largely on the recovery of the overall economy and Inspiration Copper anticipates slow but steady improvement in this area. With advances in productivity and cost reduction already achieved, Inspiration Copper is ready to take maximum advantage of any rise in the prices of copper and precious metals.

Clouding the picture however is the possibility of a strike when labor contracts expire in mid-year. In addition, Inspiration Copper's major supplier of smelter toll material has been shut down since mid-1982 and has not yet announced any plans for resumption of operations. The major supplier has been sold and the new owners announced in March 1983, that their future plans were to refine the toll material at another location, after the termination of Inspiration Copper's contract in August 1984.

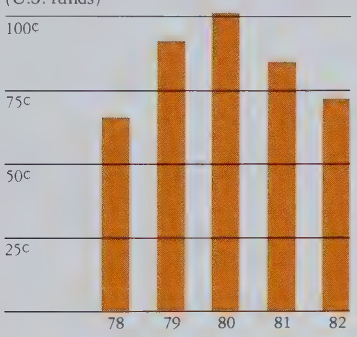
Howard Bardwell (left), tankhouse manager at Inspiration Copper's mine site, discusses operations with Coy Splane, starting sheet foreman.

PRODUCTION AND ORE RESERVES

	1982	1981 (quantities in thousands)	1980
Metal Production			
Smelter: company production (tons)	77	139	104
toll material (tons)	158	237	170
Refinery (lbs. copper)	152,376	144,017	81,623
Rod Plant (lbs. copper)	172,487	146,507	76,766
Mine Production			
Ore & waste (tons)	37,327	41,687	27,492
Copper grade (%)	0.534	0.503	0.562
Mill ore (tons)	7,110	6,714	4,183
Ferric cure (tons)	8,345	9,132	5,944
Ore Reserves			
Inspiration area mines (tons)	191,529	220,673	265,333
Copper grade (%)	0.54	0.51	0.55
Christmas open pit mine* (tons)	7,567	7,567	11,613
Copper grade (%)	0.63	0.63	0.62

* Production ceased January, 1982

Average published prices for copper cathode
(U.S. funds)



High grade coal waiting to be shipped from the Wheelwright mine.

Inspiration Coal sales for 1982 totalled $US70.6 million, compared to $US48.5 million for 1981. The loss for 1982 was $US14.2 million. In 1981 the comparable loss was $US3.9 million. The 1981 figures included only six months operations for the Sovereign and Harman mines and did not include Wheelright.

Inspiration Coal's performance in 1982 was adversely affected by deterioration in coal prices and higher unit operating costs due to only 47% utilization of productive capacity. Inspiration Coal attempted to balance the reduction of production and to maintain reasonable price levels. Industry production remained strong for 1982, even in the face of decreasing demand which resulted in huge inventories for producers and consumers.

Two major capital projects were completed in the first half of 1982: a water clarification system at Bailey and a complete electrical rewiring at the Harman preparation plant. Rehabilitation was carried out on the preparation plant. Improved plant maintenance procedures and stricter quality control measures were implemented. Capital spending has been virtually stopped until an upturn in the coal market develops. In the meantime, efforts will be directed at maintaining equipment so that Inspiration Coal can respond rapidly to any increase in demand.

Cost restraint programs have been implemented at all operating units, including some reductions in work force. Bailey became a wholly contract mining operation as all company operated mines were phased out by March 1982. At the Sovereign division, higher cost surface and underground mines were idled. On November 1, 1982 the Harman operation was reduced to a single shift which resulted in a reduction of personnel. Inspiration Coal's management believes many of these programs will be of long-term benefit to Inspiration Coal and improve cost competitiveness.

To give greater emphasis on cost efficiency a decision was made to restructure the organization of senior management in February 1983. In addition, a rationalization of coal production was necessary, and as part of this program Harman mine was placed on an "idle" basis for an indefinite period.

Inspiration Coal completed the acquisition of the Wheelwright coal properties in February 1982, which brought both total mine and preparation plant capacity to approximately 3.7 million tons per year. Coal reserves owned and/or controlled by lease now amount to approximately 87 million tons of recoverable coal. In addition to these reserves, Inspiration has subleased to others approximately 70 million recoverable tons of coal. Market deterioration restrained the planned openings of new mines to bring both the Wheelwright and Bailey coal properties to maximum production capacity.

The worldwide economic downturn had a material effect on both domestic and international markets for U.S. coal. Metallurgical coal demand declined about 40%. Electric utility demand for steam coal stagnated and resulted in an oversupply, seriously affecting spot market prices and volume.

The outlook for 1983 appears to be one of continued low demand with the resultant idling of industry production capacity. Inspiration Coal reduced coal inventories to normal operating levels in the last quarter of 1982. Inspiration Coal intends to operate its mines in 1983 in balance with current demand, which will result in reduced operations for at least the first half of 1983.

RESERVES 1982 (tons)	Measured	Indicated	Total
Harman	18,025,000	7,409,000	25,434,000
Sovereign	14,187,000	1,505,000	15,692,000
Bailey	2,297,000	4,920,000	7,217,000
Wheelwright	17,531,000	21,365,000	38,896,000
	52,040,000	35,199,000	87,239,000

Note:
In 1982 standard parameters for calculating reserves based on U.S. Bureau of Mines criteria were used on the four company mines for the first time. The 1981 reserves would not have differed materially from currently reported reserves if they had been calculated on the present basis. Measured reserves are within 1,320 feet and indicated reserves within 3,960 feet of a measured coal section. Minimum net coal thickness is 28 inches.
Sovereign Coal Sales (formerly Sovereign Pocahontas Co.) has subleased 2,000,000 tons of proven reserves on the Buckhorn property and 66,536,000 tons of proven and probable reserves on the Closterman property to other companies; Wheelwright Mining Inc. has leased 1,820,000 tons of measured and indicated reserves to another company. These reserves are not included in the above tabulation.

Dutch Asbury, second from left, vice-president of operations Sovereign Coal, talks with a group of Harman coal miners during a visit to that operation.

Tank cars carry liquid nitrogen fertilizer across the Iowa landscape.

Terra had net sales of $US273.3 million in 1982, and a loss of $US2.5 million, after provision for recovery of federal income taxes paid in prior years. This disappointing result is a decrease from 1981 sales of $US319.1 million, and compares with net earnings of $US6.6 million after taxes in that year.

During the entire year, demand for fertilizers and agricultural chemicals was below expectations because of the seriously depressed agricultural economy. The decrease in demand and excess availability of fertilizer product resulted in over-supply and depressed prices. Costs, however, continued to increase, particularly for natural gas, the principal raw material in the manufacture of ammonia. The result was unacceptably low profit margins, a situation which affected the entire fertilizer industry and resulted in numerous ammonia plant shutdowns throughout the country.

Terra's manufacturing facilities ran very well during the year. The Port Neal, Iowa ammonia plant operated with a very favorable on-stream factor of 91.3% while producing 219,000 tons of ammonia. New record daily production levels were reached in mid-year, but production was curtailed by about 10% in the latter part of the year due to excessive inventories. Production of upgraded nitrogen products was also down because of lower demand. The Woodward, Oklahoma ammonia plant of which Terra is a 25% owner also operated well, with improving efficiencies, but was forced to close down for a 60-day period near the end of the year because of reduced shipments.

Retail sales were $US238.5 million compared to $US267.2 million a year ago. Although net income was also below that of 1981, the retail operation, which is conducted through approximately 100 outlets selling directly to the farmer, is a positive factor in helping to smooth out the cyclical curves to which the industry is subject. The retail outlets are constantly evaluated, and each year the less productive ones are closed, with operations sometimes moved to another location.

Wholesale sales in 1982 were $US46.3 million, also down considerably from last year's $US63.3. Demand continues very weak in the wholesale area, reflecting generally lower fertilizer consumption.

The year was one in which capital expenditures were held to a minimum, consisting mostly of replacement of fertilizer distributing equipment in the retail area and some relatively small projects at Port Neal to improve efficiency.

The new office complex in Sioux City to house Terra's headquarters and the Northwestern National Bank, will be completed in 1983. This building is being financed largely with funds from Industrial Revenue Bonds, an Urban Development Grant and the city of Sioux City.

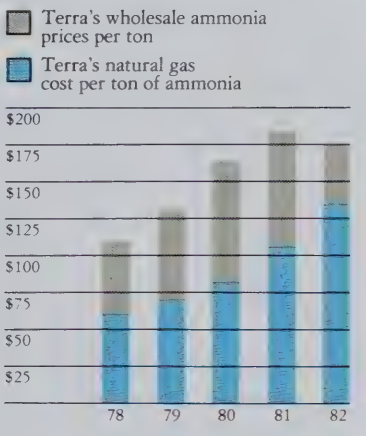
The outlook for 1983 is still very uncertain, particularly with the government farm programs to limit agricultural production which will have an adverse impact on Terra. However, some positive factors forecast for the industry include lower interest rates, reduced inflation, a better balance between supply and demand with some of the closed ammonia plants expected to be permanently out of production.

In view of these uncertainties, Terra has taken cost control measures to enable it to come through these difficult times.

PRODUCTION	1982	1981 (in tons)	1980
Port Neal:			
Anhydrous ammonia	218,803	229,793	230,514
Urea liquor	181,288	203,335	216,694
Urea fertilizer — solid	32,409	47,954	47,300
Urea feed — solid	43,859	49,715	56,738
Ammonium nitrate liquor	155,503	156,080	156,772
Nitric acid	125,125	126,670	127,503
Ammonium nitrate prills	31,051	41,631	44,322
Nitrogen solution (as produced with nitrogen content of 28%)	316,472	295,127	306,101
Woodward*:			
Bison (total nitrogen solutions)	222,816	273,331	286,865
Oklahoma Nitrogen (total ammonia)	363,293	452,862	477,041

*** Terra's share is 63% of Bison's nitrogen solution production and 25% of Oklahoma Nitrogen's ammonia production.**

Nick Coad, left, retail plant manager at Merrill, Iowa, explains shipping procedures to P.D. Foster, vice-president, retail, Terra.



Helicopter support has been instrumental in the exploration and development of the Production Sharing Contract in Irian Jaya, Indonesia.

Trend's consolidated net earnings for 1982 were $US15.1 million on revenues of $US75.4 million. Despite lower crude oil prices, revenue from sales of oil and gas approximated 1981 levels and crude oil marketing income was reduced reflecting the worldwide surplus of oil producing capacity and inventories.

Interest costs associated with the acquisition of a 27% interest in Adobe Oil & Gas Corporation in May 1982, reduced earnings by $US4.2 million. Operating costs increased 16% over 1981 levels as a result of expanded producing operations in the United States and an increase in fuel costs in Indonesia.

In Indonesia, crude oil production and revenues from Irian Jaya exceeded forecast as a result of the continuing successful infill drilling program. Trend's share of crude oil production from the Salawati Basin was 4,008 barrels per day in 1982 compared with 3,893 barrels per day in 1981. A total of 33 wells were drilled in 1982, which resulted in 32 successful oil completions as compared with the drilling of 29 wells for 28 successful completions in 1981.

Seismic surveys approximating 1,200 km were conducted on the 1.9 million acre Production Sharing Contract area in South Kalimantan acquired in 1981. Exploratory drilling on this block is scheduled for 1983. Trend holds a 45% interest in and is the managing operator of this project.

Elsewhere internationally, Trend participated in the drilling of a 9,600-foot exploratory well on the 27.0-million-acre block in Paraguay and in a 12,110-foot exploratory well drilled on a 1.48-million-acre block in Egypt. Both of these tests were abandoned and further exploratory efforts are under consideration.

United States production, after deduction of royalties payable, averaged 1,025 barrels of crude oil and 4,402 MCF of natural gas per day in 1982 compared with 915 barrels and 3,795 MCF per day in 1981.

In Canada, Trend production, after royalties, averaged 195 barrels of crude oil and 490 MCF of natural gas per day compared with 181 barrels and 545 MCF in 1981.

In North America, Trend's exploratory and development program was reduced from 1981 levels as lower crude oil prices and market proration of natural gas sales, combined with the cost of debt servicing, adversely affected working capital from operations. In 1982, Trend participated or had an interest in the drilling of 55 wells resulting in 28 oil wells, 6 gas wells, 20 abandonments and a salt water disposal well. The development of existing producing properties continued and exploratory drilling resulted in a gas/condensate discovery in East Texas and a dual zone oil discovery in South Louisiana. In 1981, Trend participated or had an interest in the drilling of 129 wells resulting in 44 oil wells, 14 gas wells and 71 abandonments.

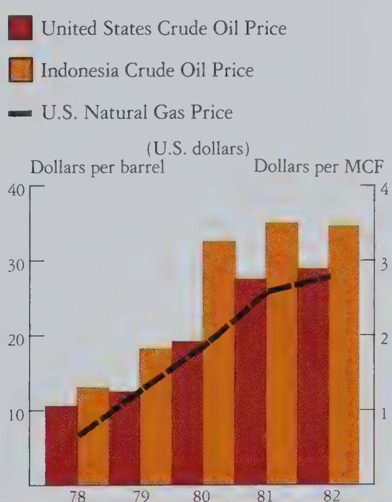
Capital expenditures for land, seismic, drilling and production equipment before proceeds of sale of lease interests of $US11.5 million in 1982 and $US9.2 million in 1981, totalled $US29.5 million in 1982, compared with $US66.0 million in 1981. Of this amount, $US15.4 million was invested in the United States and $US14.1 million in Indonesia and other international areas.

The slow-down of exploration activities worldwide has resulted in a reduction in the cost of goods and services employed by the oil industry. Although planned 1983 capital expenditures will remain below 1981 levels, they will show an increase over 1982. The lower costs of conducting exploration and development should result in a further increase in the number of projects being evaluated.

	1982	1981	1980
Indonesian Operations			
Production Oil (BOPD)*	4,008	3,893	4,557
United States Operations			
Production Oil (BOPD)	1,025	915	697
Production Gas (MCFD)**	4,402	3,795	1,290
Canadian Operations			
Production Oil (BOPD)	195	181	214
Production Gas (MCFD)	490	545	607
Acreage			
International			
Indonesia: Gross acres	2,143,839	2,143,839	247,100
Net acres	922,429	1,113,314	66,717
Other: Gross acres	28,578,525	27,243,329	14,845,176
Net acres	2,463,089	2,357,377	1,186,506
United States			
Gross acres	1,709,896	2,146,168	1,668,804
Net acres	722,930	908,609	728,746
Canada			
Gross acres	53,089	44,734	65,710
Net acres	18,660	16,886	23,761

* Barrels of oil per day
** Thousands of cubic feet per day

At a recent presentation in Trend's boardroom were (left to right) Hugh Davis, senior vice-president, corporate development; Jean Debray, president and chief executive officer; and Marlin Miles, vice-president, finance.



Inspiration Development Company

All field activities of Inspiration Development were suspended in the third quarter of 1982 and expenditures for the year were reduced from the budgeted $US4.4 million to $US3.3 million.

All district offices were closed, and fifty-nine of sixty-five employees were terminated or reassigned during the third quarter. Ongoing projects have been deferred and properties with high holding costs abandoned. Efforts to dispose of the other properties by joint venture, lease, or other means are in progress.

The missions assigned to Inspiration Development for exploration in the United States have temporarily been deferred; however, plans are being made for reactivation of field activities when the economy improves.

The projected 1983 budget is $US1.2 million, which provides for basic support and holding costs for nine remaining property groups.

Black Pine miner prepares rock face for blasting in Montana silver bearing silica flux mine.

Hudson Bay Exploration and Development Company Limited (HBED)

During 1982 exploration drilling on projects with HBED as operator totalled 61,044 feet in 142 holes and tested 76 geophysical anomalies and several mineralized zones.

The underground development phase of the exploration program on the Tom Valley lead-zinc deposit near MacMillan Pass in the Yukon was completed in March 1982. This will allow for completion, at a later date, of the planned diamond drill program, although drilling has been deferred because of economic conditions. Surface fill-in drilling in 1980 and two underground exploration drill holes completed in 1982 have added an estimated 1.3 million tons to the reserve. Proven and probable ore reserves are now estimated at 10.6 million tons averaging 2.15 oz. per ton of silver, 7.5% zinc and 6.4% lead.

The option to purchase the former gold-producing property at Snow Lake, Manitoba from Nor-Acme Gold Mines Limited was exercised

Jack Kuhn, vice-president, Inspiration Development examines a core sample with Hugh Olmstead, chief exploration geologist, looking on.

during the year. A shallow low grade gold zone has been indicated and there is additional potential at depth.

The 1982 exploration expenditures controlled by HBED totalled $Cdn6.1 million, including $Cdn0.6 million contributed by other participants in shared programmes. HBED's restraint programme necessitated a 37% reduction in staff and 1983 budgeted expenditures will be reduced to $Cdn3.6 million, including $Cdn0.5 million contributed by other participants.

Inspiration Mines Inc.

Inspiration Mines recorded a $US0.8 million loss for 1982, compared to the $US3.2 million loss of 1981. 1982 revenues totalled $US6.9 million, compared to $US2.2 million in 1981. 1982 gross revenues and profits were affected by low silver prices.

Black Pine Mine contributed net earnings of $US46 thousand compared to a $US2.0 million loss in 1981. Development, exploration and corporate administration costs, other than Black Pine operations, resulted in a net 1982 operating loss of $US972 thousand compared to $US1.2 million loss in 1981. The Arizona flux properties, which were brought on line in May, 1982, generated gross revenues of $US350 thousand in 1982, and a net profit of $US78 thousand.

The Black Pine Mine was restarted in 1982 and production totalled 1,127,285 ounces of silver. A ten-year milling contract for Black Pine ore was negotiated and a 1983 smelter contract with Asarco was finalized.

A 1983 flux supply contract was negotiated with the Inspiration Copper smelter for supplying flux to their smelter.

At the Round Valley Mine, the decline was advanced from 230 feet to 425 feet, and at Ima Mine,the decline was advanced from 80 feet to 210 feet. Sanger Mine was placed on standby. Plans are underway to individually negotiate a joint venture agreement on these properties.

Pete Martin, left, vice-president, exploration (HBED) and Gordon Bragg, senior staff geologist.

Mike Fien, left, sr. vice-president, copper and precious metals and Jack Purvis, right, vice-president, zinc, examine brass and copper strips with Bob Glazier, president of Ratcliffs (Canada), a leading supplier to the automotive market.

Marketing

The Marketing Division is responsible for acquisition of raw materials for HBMS' Canadian Metals division and Inspiration Copper's primary metallurgical operations, marketing of metal production, terminal market activities and the provision of marketing counsel regarding Canadian Metals' and Inspiration Copper's current and potential businesses.

A marketing strategy designed to minimize inventories and maximize cash flow was successfully implemented for Inspiration Copper and Canadian Metals. Inventories of concentrates and refined metal were negligible throughout most of the year.

This strategy was accomplished by quick response to changing market and operating conditions, warehousing near key consumption areas, an expanded customer base and improved product quality.

For example, a plant contracted to refine copper for Canadian Metals was struck for several months in 1982.. Rather than declare force majeure, copper was borrowed from other sources to meet sales contracts.

Through a subsequent series of trading activities, alternate refining was arranged for Canadian Metals' anodes and the copper produced was used to repay the Canadian Metals obligation at no additional cost to Canadian Metals. Inspiration Copper was one of several parties involved in these activities and benefited from tolling fees and by maintaining utilization of both its refinery and rod mill near capacity throughout the year.

Copper from foreign sources gained an increasing share of the Canadian market in 1982. In order to reverse this trend, a pricing strategy that is more responsive to market conditions in Canada was adopted in November and in December our market share returned to normal.

A high level of copper sales during the fourth quarter was partially offset by purchasing terminal market contracts for copper in anticipation of higher 1983 prices. Stocks held by consumers at year end were very low. This was evident by numerous requests for rush orders.

Copper stocks at New York Commodity Exchange (COMEX) and London Metal Exchange (LME) warehouses rose by 224,000 tons during the year to 552,000 tons while stocks held by producers rose 150,000 tons to 620,000 tons.

Zinc inventories held by producers, consumers and in LME warehouses were reduced during the year by about 50,000 tons to finish just over 800,000 tons. This low level of inventories has placed zinc in a good position to take advantage of an economic recovery.

The high quality of Canadian Metals' zinc has been advantageous in acquiring sales in 1982. The addition of a new casting plant giving increased flexibility will enhance this favourable position and enable Canadian Metals to take full advantage of future market conditions.

Hudson Bay Mining and Smelting Co., Limited

Consolidated Financial Statements

December 31, 1982

Management's report to the shareholders

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied and are in substantial conformity with United States generally accepted accounting principles.

The activity of the Company's principal operating entity, Canadian Metals Division is reported on a fully consolidated basis. Plateau Group's four principal operating entities, Inspiration Coal Inc., Inspiration Consolidated Copper Company, Trend International Limited and Terra Chemicals International, Inc., are included on an equity accounting associated company basis.

The Company restructured its petroleum interests effective May 1982, following an arrangement involving the Company, Francana Oil & Gas Ltd., Trend International Limited, Minorco Canada Limited and Sceptre Resources Limited, an unrelated third party. At December 31, 1982, Trend was 50% owned and has therefore been treated as an associated company in the Plateau Group of companies. These financial statements have been restated throughout to reflect Trend as an associated company.

Because the precise quantification of many assets and liabilities at a specific point in time is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment and with all information available up to March 21, 1983. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in Note 1 of the notes to the financial statements.

D. W. Perks
Chief Financial Officer,
Vice-President, Finance and
Treasurer
March 21, 1983

Corporate Organization

HBMS has changed dramatically during the period under review and when the proposed reorganization as discussed in the Report to Shareholders on page 4 and shown on the chart on page 5, if approved by HBMS shareholders and regulatory authorities, is completed, HBMS, its subsidiaries and associated companies, will take on an entirely new form from the shareholders' perspective. The reorganization would, in effect, merge HBMS with the Plateau Group. Accordingly, some understanding of these changes is necessary as background to a meaningful discussion of the financial statements.

At the start of 1980, HBMS' financial statements consolidated the Canadian Metals operations, Terra Chemicals International, Inc., Francana Oil & Gas Ltd., and Francana's subsidiary, Trend International Limited and included, on an equity accounting basis, the 50% owned Plateau Group which, at that time, consisted primarily of Inspiration Consolidated Copper Company. During 1981, the investment in Terra was reduced from a 54% to a 50% interest and transferred to the Plateau Group. Inspiration Coal Inc. was formed during 1981 as a subsidiary of the Plateau Group and Francana acquired a 27% interest in the share capital of Adobe Oil & Gas Corporation. These last two transactions were accomplished using debt financing. During 1982, HBMS exchanged its investment in Francana for a direct 50% interest in Trend. As part of this transaction the 27% interest in Adobe and some related debt were transferred from Francana to Trend and HBMS received a net amount $Cdn20.0 million. There was no recognition of a gain or loss on the Terra or Trend transfers because the transactions were treated as reorganizations.

As a result of the above, HBMS' financial statements now consolidate only the Canadian Metals operations and have been restated accordingly. They include on an equity accounting basis the 50% owned Plateau Group which now includes Inspiration Copper, Terra, Inspiration Coal, Trend and the Adobe investment. It has been necessary to restate some operating division data which was previously presented in the HBMS 1981 Annual Report. It is now proposed to pool the joint interests of HBMS and Minorco in the Plateau Group with HBMS' other interests to form a U.S. public Company, with HBMS as a Canadian subsidiary. The following discussion has, therefore, been expanded somewhat to focus attention on both HBMS' financial statements and on the financial statements of the Plateau Group which are summarized herein as supplementary information and included in detail in the HBMS 1982 Form 10-K.

HBMS Consolidated:

Liquidity and Capital Resources

Depressed market conditions for HBMS' principal products, in concert with the worldwide recessionary environment, resulted in 1982 operating losses. Actions taken to minimize costs while improving productivity included a shutdown of the Flin Flon/Snow Lake operations from June 26, 1982 to August 23, 1982, workforce reductions and deferred capital spending. For more useful disclosure of cash movements, this year, for the first time, supplementary information for 1980 through 1982 on changes in cash and short-term deposits has been set out in Note 19 to the consolidated financial statements. This statement shows a rapid decline in working capital provided by operations. The principal component, a decline in earnings from operations, which is discussed in more detail hereunder has been largely a function of lower commodity prices. The effect of this decline in earnings has been exacerbated on a cash basis in 1982 because earnings from operations include a deferred income tax benefit. Dividends from associated companies have fallen due to the transfer of Terra into the Plateau Group and because of the decline in dividends from Tantalum Mining Corporation.

Non-cash operating working capital did not change significantly in 1980. In 1981, there was a $Cdn23.6 million increase due primarily to increased inventory levels. In 1982, non-cash operating working capital decreased by $Cdn10.7 million as reductions in inventories resulted from lower production due to the summer shutdown.

Capital expenditures have been heavy (1982 — $Cdn43.3 million, 1981 — $Cdn81.4 million and 1980 — $Cdn36.6 million) as work was done to upgrade the surface plants at Flin Flon and to bring on new mining capacity at Flin Flon and Snow Lake. While shaft sinking was completed at the Rod mine in 1982, mine development was postponed. Expenditures in the last half of 1982 were curtailed to $Cdn7.7 million and plans for 1983 call for capital expenditures of approximately $Cdn10 million. If metal prices realized in early 1983 continue throughout the year, operating cash flows will fund anticipated capital expenditures.

Offsetting the declining, and in 1982 significantly negative, cash flow from operations and heavy capital expenditures, were a number of special non-recurring receipts; in 1980 — $Cdn50.4 million from sale of

HBMS' holding in Rosario Resources, in 1981 and 1982 — $Cdn57.5 million from sale of the Island Falls Power Plant and in 1982 — $Cdn28.6 million from the petroleum reorganization. In addition, in 1982 HBMS drew down $Cdn30.0 million on its long-term lines of credit. Unused long-term facilities of $Cdn95.0 million were in place at December 31, 1982. HBMS also had available $Cdn46.1 million of unused short-term lines of credit at December 31, 1982.

While the Plateau Group expansion has not received significant cash infusions from HBMS, its highly leveraged operations will require cash support in 1983. The Plateau Group is discussed in greater detail hereunder.

Dividends

Payments of cash dividends of $Cdn1.0 million, 10 cents per share, were made in 1982 which compared to $Cdn10.6 million or $1.05 per share in 1981 and $Cdn12.1 million or $1.20 per share in 1980. Payments were made quarterly at the rate of 30 cents per share until the fourth quarter of 1981 at which time the rate was reduced to 15 cents per share, then decreased to 10 cents per share in the first quarter of 1982 and then suspended indefinitely.

In addition, on December 31, 1982, HBMS paid a stock dividend of 20 cents per share and as a result issued 129,305 shares at a stated price of $15.15 per share for a total value of $Cdn2.0 million and paid $Cdn61 thousand in cash in lieu of fractional shares.

The Board of Directors regularly reviews HBMS' financial position, its operating results and considers future developments and opportunities. In light of these factors, the Board establishes dividend declarations in cash or shares or passes on quarterly dividends. In general, dividends payable to nonresidents of Canada are subject to withholding taxes at tax treaty rates, where applicable.

1982 Compared with 1981

HBMS' net sales decreased by 14% as the result of falling metal prices and reduced sales volumes. Weak copper prices during 1981 and 1982 reflected soft business conditions in the principal copper consuming sectors, notably the building, automotive and appliance industries.

Interest income decreased 14% from 1981 to $Cdn7.0 million; $Cdn5.4 million of this related to the Island Falls Power Plant proceeds. HBMS' earnings from the Whitehorse Copper joint venture changed from earnings of $Cdn6.7 million in 1981 to a loss of $Cdn2.3 million in 1982. The economic reserves at Whitehorse Copper were exhausted by year end and the mine terminated production on December 31, 1982.

Production cutbacks and cost cutting measures during 1982 successfully decreased consolidated cost of sales by 7% and productivity improvement programs contained unit costs. Personnel levels were reduced during 1982 while maintaining production capacity rates. Exploration work continued throughout Canada in the first half of 1982 and was cut back in the last half of the year.

HBMS' share of Tantalum Mining Corporation's earnings in 1982 was $Cdn0.3 million compared to $Cdn2.9 million in 1981. High levels of tantalum inventories resulting from extremely weak markets forced the suspension of operations at December 31, 1982, for an indefinite period.

HBMS recorded an extraordinary gain in 1982 of $Cdn55.5 million on the sale of the Island Falls Power Plant. An interim payment on this sale was received in 1981 but as total compensation for the plant had not been determined, a net amount of $Cdn33.6 million was shown as deferred income in the 1981 consolidated statement of financial position. The final payment was received in November 1982, at which time the 1981 deferred income and the 1982 receipt were recognized as an extraordinary item.

1981 Compared with 1980

Consolidated net sales decreased by 5%. Although copper production set a new annual production record for Canadian Metals, sales volumes and prices were disappointing. The average 1981 price of zinc increased by 9% over the average 1980 price, however the price turned down sharply in the fourth quarter of 1981 due to sagging automotive and construction demand. Zinc production was lower in 1981 as a direct result of purchased concentrate shortages. Gold and silver prices also declined throughout 1981.

Interest income decreased by 30% from 1980 as the high short-term rates during 1981 were offset by the lower cash position of HBMS. Whitehorse Copper joint venture earnings decreased $Cdn4.1 million from the 1980 record levels, mainly as the result of low copper prices in 1981. HBMS recorded a $Cdn3.2 million gain on forward copper sales in the first half of 1981 which did not occur in 1980.

Operating costs in Canadian Metals continued to escalate during 1981 due to higher than normal increases in the cost of labour, energy and supplies. Increased energy costs were directly associated with the sale of the Island Falls Power Plant on April 1, 1981. External power requirements for the Flin Flon/Snow Lake operations are now supplied by Manitoba Hydro at substantially increased costs. Exploration expenses decreased substantially, to $Cdn3.9 million, mainly as the result of the capitalization of the Tom Valley project during 1981. It was determined that this project had entered the pre-development stage, and according to HBMS' accounting policy, $Cdn4.0 million of prior years' expenditures were credited to earnings in 1981.

Tantalum Mining Corporation experienced a slow 1981 as markets softened dramatically for its product. HBMS' share of Tantalum's earnings was $Cdn2.9 million in 1981 and 1980.

There were no extraordinary items in 1981 while in 1980 HBMS recorded a gain of $Cdn19.5 million on the sale of its shares in Rosario Resources and recorded the application of tax losses carried forward of $Cdn2.2 million.

Plateau Group:

Liquidity and Capital Resources

Working capital of the Plateau Group was $US37.7 million at December 31, 1982, down considerably from December 31, 1981. The major component of the decrease was the movement to current from long-term of $US60 million of the $US122.7 million notes payable to the former shareholders of Sovereign Coal. The notes were repaid on January 17, 1983 with Plateau Holding's two principal shareholders advancing $US60 million and the balance being funded under Plateau Holding's long-term credit facility. The shareholders' advances will be converted into equity on or before December 30, 1983 unless the proposed reorganization of HBMS and Plateau is completed by that date.

Long-term debt increased to $US307.6 million at December 31, 1982 due to increases at Inspiration Coal of $US61.8 million, increases at Terra of $US5.7 million, new long-term debt of $US64.5 million at Trend and decreases of $US6.3 million at Inspiration Copper despite the movement to current of a portion of the Soveriegn notes payable. The Plateau Group had unused commitments for long-term financing of $US93.6 million (mainly those of Inspiration Copper) at December 31, 1982 plus additional short-term lines of credit of $US54.2 million (mainly those of Terra).

Capital expenditures cutbacks, particularly in the metals and petroleum segments, were substantial during 1982. The primary emphasis at all operations was and continues to be management of cash flows through cost reductions and deferral of capital expenditures. This emphasis, with the exception of coal, has not affected current production levels.

The Plateau Group has no established dividend policy and has not paid dividends during the period except for preferred share dividends paid by subsidiary companies.

Taxes

The Plateau Group, excluding Trend, incurred substantial operating losses in 1982, 1981 and 1980. As a result, it has available $US153.4 million for deduction from future years' taxable income and $US11.6 million of investment tax credits which cannot be utilized while in a loss carry forward position. Plateau Group's financial results reflect no benefit from future tax reductions. When they are utilized, these benefits will be reported as an extraordinary item. Trend is a separate reporting unit for tax purposes and paid cash taxes in all geographic areas, except the U.S., in 1982.

1982 Compared with 1981

The 1982 loss from operations of $US43.2 million compared unfavourably to the 1981 loss from operations of $US14.2 million. All operating units were adversely affected by generally poor economic conditions which have held down the demand for all products and created downward pressure on prices. The 1981 results were positively affected by the gain of $US10.4 million from the sale by the metals segment of the Ferron Canyon coal property.

The metals segment recorded losses in 1982 and 1981. The 1981 loss was, however, lower due to the Ferron Canyon sale. The metals segment continued to be plagued by weak metal prices during both periods, with historical lows being attained during 1982. Significant cost cutting measures in 1982, which substantially reduced the unit cost of production, included cutbacks in the workforce and capital expenditures in addition to a planned smelter shutdown from July 27, 1982 to October 4, 1982, and reduced levels of exploration activity in the U.S. A furnace breakout which occurred during the smelter start-up in early October 1982, delayed the smelter start-up until January 1983.

The coal segment losses in 1982 reflected the progressive softening of coal prices through the spot market and reduced sales, mainly due to a lack of sales contracts. In contrast, losses for 1981 were primarily due to high borrowing costs and depreciation charges based on the purchase of the Sovereign Coal operations combined with the effect of a 71 day coal strike which ended on June 8, 1981. Temporary closures of the group's coal mines occurred on a rotating basis throughout 1982 to allow for inventory stockpiles to be drawn down. A restructuring of senior management in the coal segment and the idling of operations at Harman Mining was announced in February 1983. The Harman properties, which represent approximately 26% of the segment's capacity, will remain idle until such time as coal markets improve. The coal segment will probably not be in a position to service its debt in the immediate future without assistance from Plateau Holdings.

The agricultural chemicals segment experienced significantly lower sales volumes in 1982 compared to 1981, which resulted in operating losses in 1982 compared to 1981 operating profits. Low commodity prices and high interest rates during the spring coupled with the uncertainty about fall fertilizer programs were the major reasons for the lower volumes and consequent lower profitability.

The petroleum segment was also affected by the poor economic conditions worldwide and experienced an 18% decline in operating profit in 1982 compared with 1981. Operating cost increases in both the U.S. and in Indonesia were not matched by price changes during 1982. In fact, prices for all products in the petroleum segment have either remained constant or have decreased since 1981. The other major factor which produced a lower level of profitability was the interest expense attributable to the new long-term debt incurred as a result of the Adobe share transfer, which was part of the petroleum segment restructuring in May 1982.

1981 Compared with 1980

The metals segment was the major loss contributor for both years as a four-month strike at Inspiration Copper affected 1980 results and 1981 suffered from poor copper sales due to weak demand and continuing low prices. Inspiration Copper's 1981 loss was exacerbated by low silver and gold selling prices and high interest charges.

The coal segment, through Inspiration Coal, began operations in 1981 with the purchase of Bailey Mining, Sovereign Coal Group and Harman Mining. The coal segment lost $US3.6 million after interest expense in 1981 as high borrowing costs and depreciation charges based on the stepped up asset values more than offset satisfactory operating profits.

The agricultural chemicals segment recorded lower operating profits in 1981 compared to 1980 as fertilizer price increases did not keep up with cost increases in 1981. Fertilizer sales were down from 1980, however, sales of other agricultural chemicals increased by 37% in 1981.

Petroleum net sales increased 6% as higher revenues from the sale of crude oil and natural gas in the U.S. more than offset lower revenues from Indonesian crude oil. The price of crude oil averaged $US35 per barrel in 1981 compared to $US32 per barrel in 1980. The installation of larger pumps and increased transportation and fuel costs increased Indonesian costs by 12% in 1981 and contributed to the lower operating profit in 1981 compared to 1980.

Consolidated Statement of Earnings

For the years ended December 31, 1982, 1981 and 1980

	1982	1981	1980
	(in thousands $ Cdn)		
Revenues:			
Net sales	$249,992	$291,688	$308,658
Interest and other income (Note 11)	5,248	20,999	23,528
	255,240	312,687	332,186
Costs and Expenses:			
Cost of sales	254,628	274,150	248,318
Depreciation, depletion and amortization	24,192	27,555	23,732
Exploration expenses	6,005	3,865	9,701
General administrative expenses	10,867	9,748	8,480
Interest	17,131	8,261	8,515
	312,823	323,579	298,746
Earnings (loss) before the undernoted items	(57,583)	(10,892)	33,440
Provision (benefit) for income taxes, mining taxes and royalties (Note 12)	(19,287)	(3,296)	8,850
Earnings (loss) from Operations	(38,296)	(7,596)	24,590
Share of earnings (losses) of associated companies (Note 3)	(25,901)	(3,157)	16,851
Earnings (Loss) before Extraordinary Items	(64,197)	(10,753)	41,441
Extraordinary Items:			
Gain on sale of power plant (Note 13)	55,508	—	—
Gain on sale of investment (Note 14)	—	—	19,500
Application of tax losses carried forward	—	—	2,167
Net Earnings (Loss) for the Year	$ (8,689)	$ (10,753)	$ 63,108
Earnings (Loss) per Share (Note 10):			
Before extraordinary items	$ (6.27)	$ (1.05)	$ 4.05
After extraordinary items	$ (0.85)	$ (1.05)	$ 6.17

Consolidated Statement of Retained Earnings

For the years ended December 31, 1982, 1981 and 1980

	1982	1981	1980
	(in thousands $ Cdn)		
Retained Earnings at Beginning of the Year	$244,049	$265,409	$214,423
Net Earnings (Loss) for the Year	(8,689)	(10,753)	63,108
	235,360	254,656	277,531
Dividends (Note 10)	3,031	10,607	12,122
Retained Earnings at End of the Year	$232,329	$244,049	$265,409

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Financial Position
For the years ended December 31, 1982, 1981 and 1980

	1982	1981	1980
	(in thousands $ Cdn)		
Working Capital Provided:			
Operations:			
Earnings (loss) from operations	$ (38,296)	$ (7,596)	$ 24,590
Depreciation, depletion and amortization	24,192	27,555	23,732
Deferred taxes	(22,187)	1,539	3,097
Dividends from associated companies (Note 3)	2,400	2,975	5,719
Other	(337)	(24)	1,913
	(34,228)	24,449	59,051
Proceeds from long-term debt	30,000	—	—
Reorganization of petroleum interests (Note 3)	20,029	—	—
Sale of power plant (Note 13)	21,896	33,612	—
Sale of investment (Note 14)	—	—	47,848
	37,697	58,061	106,899
Working Capital Applied:			
Dividends	1,072	10,607	12,122
Investment in associated companies (Note 3)	2,522	12,943	637
Other investments	(1,520)	4,653	4,413
Property, plant and equipment	43,285	80,310	36,648
Reduction of long-term debt	4,002	3,405	3,395
Increase in other assets	805	3,572	3,005
	50,166	115,490	60,220
Increase (Decrease) in Working Capital	(12,469)	(57,429)	46,679
Working Capital at Beginning of the Year	44,090	101,519	54,840
Working Capital at End of the Year	$ 31,621	$ 44,090	$101,519
Changes in Working Capital:			
Increase (decrease) in current assets:			
Cash and short-term deposits (Note 19)	$ (4,617)	$ (68,615)	$ 54,259
Accounts receivable	20,505	(5,467)	(4,252)
Inventories	(27,981)	15,175	14,614
Income taxes recoverable	(867)	2,173	(684)
	(12,960)	(56,734)	63,937
(Increase) decrease in current liabilities:			
Short-term borrowings	10,355	(9,657)	(698)
Accounts payable and accrued liabilities	631	1,486	(6,553)
Income and other taxes payable	—	6,028	(6,028)
Due to shareholder	(8,606)	—	—
Current portion of long-term debt	(1,889)	1,448	(3,979)
	491	(695)	(17,258)
Increase (Decrease) in Working Capital	$ (12,469)	$ (57,429)	$ 46,679

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 1982 and 1981

	1982	1981
	(in thousands $ Cdn)	
Current Assets:		
Cash and short-term deposits	$ 6,243	$ 10,860
Accounts receivable	41,503	20,998
Inventories	54,495	82,476
Income taxes recoverable	1,306	2,173
Total current assets	103,547	116,507
Deduct:		
Current Liabilities:		
Short-term borrowings (Note 6)	—	10,355
Accounts payable and accrued liabilities	58,886	59,517
Due to shareholder (Note 3)	8,606	—
Current portion of long-term debt	4,434	2,545
Total current liabilities	71,926	72,417
Working Capital	31,621	44,090
Add:		
Investment in associated companies (Note 3)	140,874	186,682
Other investments (Note 4)	15,896	17,416
Property, plant and equipment (Note 7)	246,410	227,317
Other assets	14,975	14,170
Capital Employed	449,776	489,675
Deduct:		
Commitments and contingencies (Note 8)		
Long-term debt (Note 9)	90,229	64,231
Deferred income	—	33,612
Deferred taxes	54,012	76,536
	144,241	174,379
Shareholders' Investment	$305,535	$315,296
Investment Represented By:		
Share capital (Note 10)	$ 73,206	$ 71,247
Retained earnings	232,329	244,049
Total Shareholders' Investment	$305,535	$315,296

Approved by the Board of Directors

Director: R.F. Richards R.F. Richards

Director: A.T. Lambert A.T. Lambert

See accompanying notes to the consolidated financial statements.

1. Summary of Significant Accounting Policies

Generally accepted accounting principles:
The financial statements are prepared in conformity with accounting principles generally accepted in Canada and are presented in Canadian dollars.

Principles of consolidation:
The consolidated financial statements include the accounts of Hudson Bay Mining and Smelting Co., Limited (HBMS) and all companies more than 50%-owned. In addition, HBMS follows the equity method of accounting for its interest in associated companies in which it owns from 20% to 50% of the common shares and exercises a significant influence.

HBMS restructured its petroleum interests effective May 1982, following the completion of an arrangement involving HBMS, Francana Oil & Gas Ltd. (Francana), Trend International Limited (Trend), Minorco Canada Limited (Mincan) and Sceptre Resources Limited (Sceptre), an unrelated third party. Prior to the arrangement, Francana was 58% owned by HBMS and 17% owned by Mincan and Trend was 57% owned by Francana. Francana's 27% interest in Adobe Oil & Gas Corporation was transferred to Trend together with an assumption by Trend of related long-term debt and Francana's Canadian operations were disposed of to Sceptre. Francana's resultant equity interest and convertible preferred shares in Trend were transferred to HBMS. As a result of the arrangement and subsequent share redemption by Trend, HBMS owns 50% of Trend. For purposes of comparison, the 1981 and 1980 consolidated financial statements have been restated to account for Francana and Trend as associated companies. While assets, liabilities, revenues and costs are restated, net earnings (loss), earnings (loss) per share and retained earnings for those years did not change as a result of the restatement.

Inventories:
Inventories consist substantially of metals and metal products. Metals and all other saleable products are valued at the lower of cost or estimated net realizable value; metal by-products are valued at estimated net realizable value. Cost is determined on the first-in, first-out basis.

Property, plant and equipment:
Mineral properties — Exploration costs with respect to mines operating, or in the development stage, are capitalized as mineral properties and amortized by the unit-of-production method based on estimated recoverable reserves; all other mineral exploration costs are written off to expense as incurred. Expenditures for projects deemed commercially productive are capitalized with a corresponding credit to earnings at the time this determination is made.

Mine development expenditures — Expenditures on major mine development are capitalized and amortized by the unit-of-production method for each mine based on related estimated recoverable reserves.

Plant and equipment — Expenditures for plant and equipment additions, major replacements and improvements are capitalized; the cost of maintenance and repairs is charged to operating expense as incurred. Depreciation of mineral plant and equipment is charged to operations by the unit-of-production method based on estimated recoverable reserves. Depreciation of other plant and equipment is charged to operations, generally on a straight-line basis over their estimated useful lives.

Income and mining taxes:
HBMS follows a tax allocation method of providing for income and mining taxes. Deferred taxes represent primarily tax reductions for expenditures on mine development, exploration and depreciation deducted in the determination of taxable income but not yet charged to earnings. Investment tax credits are recorded when utilized. In addition, taxes otherwise payable on the sale of the potash division assets in 1977 have been included in deferred taxes. These taxes otherwise payable can be eliminated by allocation of eligible Canadian expenditures on natural resources exploration and development. The expenditures, so allocated, are not available for deduction from taxable income.

Foreign currency translation:
Foreign currencies have been translated into Canadian dollars as follows: revenue, costs and expenses of foreign subsidiaries at the average rates of exchange for the period; noncurrent assets (including depreciation, depletion and amortization thereof) and noncurrent liabilities at rates in effect at dates of transactions; current assets and current liabilities at rates in effect at the end of the year. Gains and losses on currency translation are included in the statement of earnings.

2. Proposed Reorganization

HBMS and Minerals and Resources Corporation Limited (Minorco) announced on March 4, 1983 a proposed reorganization involving HBMS and the Plateau Group. The proposed reorganization will pool the joint interests of HBMS and Minorco in the Plateau Group with HBMS' other interests into a U.S. public company, with HBMS as a Canadian subsidiary.

HBMS, through its major (44%) shareholder — Mincan, is associated with Minorco, which owns 100% of Mincan. Minorco and HBMS jointly own Trend (Notes 1 and 3) and Plateau Holdings Inc. (Plateau Holdings). Plateau Holdings, a U.S. holding company, in turn owns all of the common stock of Inspiration Coal Inc. (Inspiration Coal), Inspiration Consolidated Copper Company (Inspiration Copper), Inspiration Mines Inc. (Inspiration Mines), and Terra Chemicals International, Inc. (Terra). The jointly owned companies comprise the Plateau Group.

Under the terms of the proposed reorganization, HBMS shareholders, other than Minorco, through Mincan, will be offered the option of exchanging their common shares for special shares of HBMS on the basis of 1.10 special shares for each existing common share. As an alternative, to encourage an increased public participation in the shares of Plateau Holdings, HBMS shareholders, other than Mincan, will be offered the opportunity to elect, at the time of the

reorganization, to convert directly to Plateau Holdings common shares on the basis of 1.15 Plateau Holdings common shares for each existing HBMS common share.

Minorco has agreed that the premium in Plateau Holdings offered to HBMS shareholders, other than Mincan, will be provided by a corresponding dilution of Minorco's direct and indirect equity in Plateau Holdings. As a result of these transactions and assuming full exercise of the exchange rights attached to the HBMS special shares, the ownership in Plateau Holdings by shareholders other than Minorco will be approximately 40%. Minorco has agreed, however, that it will not own more than 50% of the voting rights in Plateau Holdings. (Refer to chart on page 5.)

The special shares of HBMS will be non-voting in HBMS but arrangements will be made so that each special share will have the same vote in Plateau Holdings as each Plateau Holdings common share. The special shares will be entitled to dividends in the same amount, if any, as is payable on the Plateau Holdings common shares and will be exchangeable into Plateau Holdings common shares for a period of ten years on the basis of one Plateau Holdings common share for each special share. After that period, the remaining special shares will be automatically exchanged into Plateau Holdings common shares on a one-for-one basis. Subject to the requisite approvals it is anticipated that the special shares will be listed in Canada, and the common shares of Plateau Holdings will be listed in the U.S.

HBMS, Minorco and Plateau Holdings have commenced preparation of a definitive agreement setting out the terms of the reorganization which is conditional upon the approval of HBMS shareholders and regulatory authorities. After completion of the proposed reorganization, it is anticipated that, subject to market conditions, public offerings of additional equity shares will be made, and Minorco has agreed to participate in such financing.

3. Investment in Associated Companies

A significant portion of the operations of HBMS are conducted through associated companies. With the exception of Tantalum Mining Corporation of Canada Limited (Tanco) these associated companies are jointly owned with Minorco (Note 2).

	% of common share ownership			
Total investments:	1982	1981	1982	1981
			(in thousands)	
Plateau Group	50.0%	50.0%	$128,960	$ 89,490
Francana (note (a) below)	—	57.9%	—	81,629
Tanco	37.5%	37.5%	4,593	6,476
Other companies			104	104
Equity in net assets			133,657	177,699
Advances			356	(2,501)
Unamortized excess cost of investments over equity in net assets			6,861	11,484
			$140,874	$186,682

Share of earnings (losses):	1982	1981	1980
	(in thousands)		
Plateau Group:			
Inspiration Coal	$ (7,159)	$ (1,841)	$ (26)
Inspiration Copper	(17,348)	(13,511)	(10,745)
Inspiration Mines	(527)	(1,905)	—
Terra	(2,443)	5,012	—
Trend	9,442	—	—
Plateau Holdings and other	(6,586)	(1,403)	(205)
Francana (note (a) below)	(1,624)	7,572	17,821
Tanco	344	2,919	2,885
Terra (note (b) below)	—	—	7,134
Other	—	—	(13)
	$(25,901)	$ (3,157)	$ 16,851

Dividends received:	1982	1981	1980
	(in thousands)		
Plateau Group (Terra)	$ —	$ 1,100	$ —
Tanco	2,400	1,875	4,125
Terra (note (b) below)	—	—	1,594
	$ 2,400	$ 2,975	$ 5,719

Changes in investment positions:	1982	1981	1980
	(in thousands)		
Plateau Group:			
Inspiration Coal	$ —	$ 5,247	$ —
Inspiration Copper	—	6,988	128
Inspiration Mines	—	488	—
Plateau Holdings	(20)	(10)	30
Terra	—	875	—
Francana (note (a) below)	—	(120)	1,219
Tanco	2,744	(525)	(1,875)
Terra (note (b) below)	—	—	1,034
Other	(202)	—	101
	$ 2,522	$ 12,943	$ 637

(a) HBMS restructured, by way of an arrangement, its petroleum interests effective May 1982 (Note 1). The restructuring was treated as a reorganization and accordingly did not result in any gain or loss. Certain assurances regarding the non-occurrence of income tax consequences of the arrangement were received by Francana and Sceptre from Canadian government authorities, although not in the form of an advance income tax ruling.

Trend is 50% owned by HBMS as a result of the arrangement, and it has been treated as an associated company in the Plateau Group for 1982. The consolidated financial statements have been restated to include the investment in Francana as a separate associated company. Trend has been included with the investment in Francana for 1980 and 1981.

The equalization, between HBMS and Minorco, of equity ownership in Trend was accomplished by the redemption of Trend's convertible preferred shares held by HBMS for cash proceeds, net of related expenses, of $28,635,000 on December 31, 1982. The $8,606,000 note payable to Mincan, relating to the arrangement, was repaid in January 1983.

HBMS' previous $84,670,000 investment in Francana was reduced by provision for equalization of equity ownership with Minorco (net $20,029,000) which resulted in HBMS' carrying value of $64,641,000 in Trend immediately after the May 1982 arrangement.

(b) HBMS' interest in Terra was reduced from approximately 54% to 50% of the outstanding common shares effective June 30, 1981, following a cash merger transaction with Plateau Holdings. Plateau Holdings acquired all of the common stock outstanding and 63% of the preferred stock outstanding of Terra for a total consideration of $US120,227,000 of which approximately $US69,080,000 related to the common and preferred stock previously owned by HBMS. This transaction was treated as a reorganization and accordingly did not result in any disposition gain or loss. The consolidated financial statements were restated to include the investment in Terra as a separate associated company for 1980 and as part of the Plateau Group for 1981.

(c) During 1982, Plateau Holdings completed the following investment transactions:

(i) In February 1982, Plateau Holdings, through Inspiration Coal, acquired the Wheelwright, Kentucky coal properties, excluding working capital, of Island Creek Coal Company, at a cost of $US26,000,000. This acquisition was financed by $US17,000,000 of 14%, 5 year notes (repaid in full in October 1982) with the balance paid in cash by Plateau Holdings without contribution from its shareholders. Additionally, Inspiration Coal assumed certain contingent liabilities under which future payments, if any, would be treated as a retroactive adjustment to the purchase price.

(ii) Plateau Holdings purchased $US222,000 of additional common stock of Inspiration Copper in 1982; $US204,000 in 1981; $US219,000 in 1980. As at December 31, 1982, Plateau Holdings has undertaken to purchase for $US848,000 additional common shares upon the redemption of preferred shares held by minority interests.

In addition, Plateau Holdings purchased $US9,057,000 of preferred stock of Inspiration Copper and advanced $US33,724,000 of contributed surplus to Inspiration Copper during 1982. During 1981, Plateau Holdings purchased $US19,323,000 of preferred stock of Inspiration Copper. These purchases and advances were made to maintain the required tangible net worth of Inspiration Copper under that company's revolving credit facility.

HBMS' cash cost of the above transactions was nil in 1982; $6,988,000 in 1981; $128,000 in 1980; equal amounts were provided by Minorco and the balance by Plateau Group working capital.

The unamortized excess cost of investments in associated companies over equity in net assets is being written off against HBMS' share of earnings generally over a period not exceeding 20 years.

4. Other Investments

	1982	1981
	(in thousands)	
Whitehorse Copper joint venture	$ 7,428	$ 8,640
Other — at cost:		
Quoted (market value 1982 — $1,744,000; 1981 — $907,000)	1,866	1,904
Unquoted	14,383	14,283
	23,677	24,827
Less provision for decline in value	7,781	7,411
	$15,896	$17,416

HBMS makes provision, in amounts which it considers prudent, for declines in value of investments. The Whitehorse Copper joint venture investment at December 31, 1982 consisted substantially of concentrate inventories which will be realized in 1983.

5. Supplementary Information

(a) **Geographic areas:**
Financial data for 1982, 1981 and 1980 by geographic areas for HBMS' only business segment are included on pages 36 and 37.

(b) **Significant investments accounted for on the equity method:**
Selected information by business segment and geographic area for the Plateau Group (jointly owned with Minorco) in a combined form are included on pages 36 and 37. Complete audited financial statements of the Plateau Group are included in HBMS' Form 10-K.

6. Short-Term Lines of Credit and Borrowings

HBMS and its subsidiaries had unused short-term lines of credit with banks at December 31, 1982 aggregating approximately $46,147,000; interest is generally at money market rates on an as-quoted basis.

The maximum amounts of short-term borrowings outstanding during 1982, 1981 and 1980 were $10,000,000, $23,000,000 and $29,000,000, respectively, and the approximate average amounts outstanding during each year were $1,178,000, $2,281,000 and $3,100,000, respectively, with weighted average annual interest rates of 12.2%, 18.8% and 13.8%. The averages were calculated on a daily basis.

7. Property, Plant and Equipment

	1982	1981
	(in thousands)	
Mineral property, plant and equipment	$313,237	$284,072
Less accumulated depreciation and depletion	130,004	121,254
	183,233	162,818
Unamortized mine development expenditures	49,604	50,945
Materials and supplies — at cost	13,573	13,554
	$246,410	$227,317

8. Commitments and Contingencies

(a) During 1978, HBMS received a reassessment notice from the Department of National Revenue disallowing the deduction of a nonrefundable contribution for construction to Manitoba Hydro made in 1973, which was, in the opinion of HBMS, a proper deduction. On the advice of its counsel, HBMS filed a Notice of Objection to the reassessment. The Department formally confirmed the reassessment on January 10, 1983 and HBMS will be filing an appeal to the Federal Court of Canada. Income taxes, penalties and interest paid with respect to the reassessment, aggregating $2,100,000, have not been charged to earnings pending settlement of the reassessment. Should the reassessment be upheld, the tax and related costs would be charged to retained earnings as a prior period adjustment.

(b) HBMS and Minorco have each guaranteed half of the $US138,946,000 revolving-term credit facility of Plateau Holdings which was used to secure principal and interest payments on instalment notes repaid January 15, 1983 to the vendors of the Sovereign Coal Group Inc. and Harman Mining Corporation and to provide financing of working capital for Plateau Holdings. The facility provides for a reduction in the available commitment to $US126,000,000 on January 15, 1983, $US112,000,000 on July 15, 1983 and further reductions to $US84,000,000 by July 31, 1985.

HBMS and Minorco each advanced $US30,000,000 to Plateau Holdings on January 17, 1983 to assist in repaying the instalment notes with the balance of the required funds being advanced under the revolving-term credit facility. Should the proposed reorganization (Note 2) not proceed, the shareholders have agreed to capitalize the advances on or before December 30, 1983. The shareholders' advances bear interest at the London Interbank Offering Rate (LIBOR) plus three-quarters of 1%.

(c) HBMS and Minorco have each provided written assurance to the group of three banks funding the revolving credit agreement for $US150,000,000 at Inspiration Copper. The revolving credit agreement and related loan agreements have certain smelter production tests and place certain limitations on working capital, indebtedness, cash flow, tangible net worth, liens and unfunded vested accrued benefits of Inspiration Copper. The amount outstanding at December 31, 1982 was $US69,926,000 under the revolving credit agreement and a further net amount of $US10,786,000 was outstanding under letters of credit supporting the Industrial Development Authority of Gila County, Arizona tax-free Pollution Control Revenue Bonds.

(i) Under the tangible net worth covenant, Inspiration Copper is required to maintain consolidated tangible net worth of at least $US90,000,000 until December 30, 1984, at which time the requirement increases to $US125,000,000. During 1982 compliance with the minimum tangible net worth requirement was met by Plateau Holdings purchasing $US9,057,000 of class A preferred shares, $US222,000 of common stock and injecting $US33,724,000 in contributed surplus into Inspiration Copper. In 1981, Plateau Holdings purchased $US19,323,000 of class A preferred shares. Due to the anticipated continuation of operating losses during 1983, it is likely that additional capital contributions will be required. Plateau Holdings has indicated its present intention to provide or otherwise arrange sufficient financial support to Inspiration Copper to maintain compliance with the tangible net worth requirement in 1983.

(ii) The cash flow covenant, which commences June 30, 1983, requires Inspiration Copper to maintain a ratio of 1.0:1 through December 31, 1984 and 1.5:1 thereafter, of consolidated cash flow to the sum of the current portion of long-term liabilities and interest paid for the preceding four fiscal quarters. Due to the losses in the last two quarters of 1982 and the projected losses in the first two quarters of 1983, Inspiration Copper will be unable to meet this covenant. Inspiration Copper has obtained an agreement amendment, for 1983, from the banks, which allows capital contributions from Plateau Holdings to be included in the definition of cash flow. Plateau Holdings has indicated its present intention to provide or otherwise arrange sufficient financial support to Inspiration Copper to enable Inspiration Copper to satisfy the cash flow requirement.

(iii) The smelter production covenant requires Inspiration Copper's smelter capacity to be a minimum of 99,000 tons of copper per year for 1982, 133,000 tons by December 31, 1983 and 160,000 tons by December 31, 1984. During 1982, prior to the shutdown of Inspiration Copper's major toll customer, the smelter operated at an annual production level well in excess of the required 99,000 tons. Inspiration Copper is presently re-evaluating its smelter options in light of the probable loss of its major toll customer after the third quarter of 1984, which may preclude its reaching the 133,000 ton level by the end of 1983. Inspiration Copper and the banks continue to discuss this requirement.

(iv) Inspiration Copper and Plateau Holdings have also agreed to approach the group of three banks to further renegotiate the terms and conditions of the revolving credit agreement following conclusion of the proposed reorganization (Note 2) and in any event, no later than December 31, 1983.

(d) Inspiration Coal was fully drawn under its existing credit facilities at January 17, 1983. Plateau Holdings has given assurances that its present intention is to continue to provide or otherwise arrange sufficient support to meet the financial obligations of Inspiration Coal.

(e) HBMS sold its potash division assets in 1977 and the resulting gain on disposition was deferred for tax purposes. HBMS has the option of eliminating the tax on the deferred gain by allocating Canadian exploration and development expenses incurred for a ten-year period ending in 1987. At the end of that period, any remaining gain would be added to 1977 taxable income with interest applied for the full ten-year period. The unallocated balance at December 31, 1982 was $30,000,000, after a proposed allocation for 1982 of approximately $20,000,000.

9. Long-Term Debt

	1982	1981
	(in thousands)	
9% unsecured debentures due 1991 (note (a) below)	$ 19,881	$ 19,996
10½% unsecured debentures due 1995 (1982 - $US43,214,000; 1981 - $US45,474,000) (note (b) below)	43,875	46,169
Revolving credit facility (note (c) below)	30,000	—
Mortgage loans	222	247
	93,978	66,412
Included in current liabilities	3,749	2,181
	$ 90,229	$ 64,231

(a) Under the trust indenture covering the 9% unsecured debentures, sinking fund payments sufficient to retire $800,000 of principal amount are required each year until 1990. Debentures amounting to $5,119,000 (principal amount) have been purchased by HBMS and cancelled. Therefore, no sinking fund payments have been required to date and $319,000 is available for application against the 1983 sinking fund requirements.

(b) Under the trust indenture covering the 10½% unsecured debentures, sinking fund payments sufficient to retire $US3,330,000 of principal amount are required each year until 1994. Debentures amounting to $US6,786,000 have been purchased by HBMS and cancelled. Therefore, no sinking fund payments have been required to date and $US126,000 is available for application against the 1983 sinking fund requirements.

(c) A revolving credit facility for $100,000,000 was signed October 22, 1981. It is a three-year revolving loan converting to a four-year term loan with semi-annual repayments after October 22, 1984. Interest rates are on a floating basis and are available through a number of options including Eurodollars, Bankers Acceptances and U.S. dollars. Currently, interest is charged at Canadian bank prime with this increasing to Canadian bank prime plus one-quarter of 1% in 1985 and prime plus three-eighths of 1% in 1987. There is an annual standby fee of one-quarter of 1% on unutilized amounts.

An additional two-year revolving credit facility for $25,000,000 was signed October 4, 1982 against which there were no borrowings outstanding at December 31, 1982. Interest rates are at bank prime for Canadian dollar borrowings and LIBOR plus one-half of 1% for U.S. dollar borrowings. There is an annual standby fee of three-eighths of 1% on unutilized amounts.

Interest and related expenses on long-term debt were: 1982 — $16,607,000; 1981 — $7,831,000 and 1980 — $8,040,000.

Sinking fund and principal payments, based on December 31, 1982 outstanding borrowings and after allowing for prepayments, required over the next 5 years are as follows:

	Canadian funds	U.S. funds
	(in thousands)	
1983	$ 495	$3,204
1984	814	3,330
1985	8,314	3,330
1986	8,314	3,330
1987	8,314	3,330

10. Share Capital, Dividends and Earnings per Share

(a) HBMS is authorized to issue an unlimited number of common shares. At December 31, 1982, there were issued and fully paid 10,231,044 shares, and at December 31, 1981 and 1980, there were issued and fully paid 10,101,739 shares.

HBMS declared a dividend of 20¢ per share, payable December 31, 1982, to shareholders of record on December 15, 1982. The dividend was paid in shares of HBMS valued on the weighted average price of board lot trades on the Toronto Stock Exchange for the trading days December 8 to December 15, 1982 inclusive. There were 129,305 shares issued at a stated price of $15.15 per share for a total value of $1,959,000. A cash payment of $61,000 was made in lieu of fractional shares.

(b) Under HBMS' 1981 Key Executive Share Purchase Plan, 200,000 shares are available for purchase by key executives of HBMS, its subsidiaries and its other affiliates. No purchase rights have been allocated under the plan.

(c) Under HBMS' 1981 Share Option Plan, 250,000 shares are available for granting of options to key employees of HBMS, its subsidiaries and its other affiliates. Options, expiring in 1987, for 39,000 shares at $18.50 per share have been granted under the plan. No options have been exercised.

(d) HBMS has declared cash and stock dividends on its shares as follows:

	Cash dividends	Stock dividends
	(per share)	
1982	$0.10	$0.20
1981	1.05	—
1980	1.20	—

The value assigned to stock dividends, after a cash payment in lieu of fractional shares, was attributed to share capital of HBMS.

(e) Earnings per share were calculated on the weighted average number of shares outstanding during the year, after restatement for the 1982 stock dividend (10,231,044 shares for 1982, 1981 and 1980).

11. Interest and Other Income

	1982	1981	1980
	(in thousands)		
Interest income	$6,971	$ 8,126	$11,734
Share of earnings (loss) of Whitehorse Copper joint venture	(2,299)	6,657	10,788
Gain on forward copper sales	—	3,206	—
Miscellaneous	576	3,010	1,006
	$5,248	$20,999	$23,528

12. Income Taxes, Mining Taxes and Royalties

	1982	1981	1980
	(in thousands)		
Income taxes:			
Current — Canada	$ 2,895	$ (5,006)	$ 4,294
— Foreign	5	88	86
Deferred — Canada	(23,470)	1,747	1,160
	(20,570)	(3,171)	5,540
Canadian mining taxes and royalties:			
Current	—	83	1,373
Deferred	1,283	(208)	1,937
	$(19,287)	$ (3,296)	$ 8,850

Income taxes have been calculated using the following effective income tax rates. The reconciliation of the combined Canadian Federal and Provincial statutory income tax rates and the effective income tax rate is as follows:

	1982	1981	1980
Combined statutory income tax (recovery) rate	(52.2)%	(48.1)%	52.4 %
Inventory allowance	(2.4)	(10.5)	(2.9)
Nontaxable income	0.5	(0.2)	(2.1)
Nondeductible mining taxes	1.1	(0.6)	5.7
Historical deferred tax credit rates	17.1	26.1	—
Canadian resource allowance	—	—	(29.8)
Tax credits, rebates	—	—	(5.3)
Other	1.0	3.8	0.4
Effective income tax (recovery) rate	(34.9)%	(29.5)%	18.4 %

HBMS has a tax loss available for application against taxable income of future years of approximately $44,000,000 which expires in 1987. In addition, HBMS has investment tax credits available for application against future Canadian Federal income taxes payable of approximately $10,754,000 which expire in the years 1983 to 1987 as follows: 1983 — $2,355,000; 1984 — $1,892,000; 1985 — $1,310,000; 1986 — $3,770,000; 1987 — $1,427,000.

Deferred income taxes represent tax reductions applicable to the timing differences between amounts claimed in the year for income tax purposes and amounts charged to earnings. The sources of these differences and the tax effect of each were as follows:

	1982	1981	1980
	(in thousands)		
Depreciation and depletion	$ (9,118)	$ 2,125	$ 3,261
Amortization of mine development	4,639	829	1,522
Exploration expenditures	(3,493)	(694)	2,263
Current year's loss	(16,889)	—	—
Assessment adjustment	1,391	—	—
Rosario investment gain	—	—	(3,900)
Prior years' losses	—	—	(1,451)
Other	—	(513)	(535)
	$(23,470)	$ 1,747	$ 1,160

13. Gain on Sale of Power Plant

The power plant at Island Falls, Saskatchewan and certain ancillary assets were transferred to Saskatchewan Power Corporation on April 1, 1981. HBMS received an interim payment, net of related expenses, of $38,561,000 in 1981 and a final payment, net of tax payments and related expenses, of $18,895,000 in November 1982. These payments resulted in an extraordinary gain of $55,508,000 after related costs and tax provision of $4,994,000.

14. Gain on Sale of Investment

During 1979, HBMS purchased a 9.8% holding in Rosario Resources Corporation for a cash consideration of $24,448,000. In January 1980, HBMS made a tender offer for all of the outstanding shares of Rosario Resources Corporation at $US65 per share. On February 1, 1980 HBMS sold its holding for $US75 per share for a total cash consideration of $51,816,000 ($US44,820,000) and withdrew its tender offer. This resulted in a gain of $19,500,000 after related costs and tax provision of $6,500,000 and increased working capital by $47,848,000.

15. Subsequent Event

In February 1983, Inspiration Coal announced that it was temporarily idling its metallurgical coal operations at its Harman Mining division. Total assets at Harman Mining division at December 31, 1982, as included in the Plateau Group financial statements, were approximately $US58,000,000. Total revenues and net loss were $US27,855,000 and $US4,837,000, respectively, for the year ended December 31, 1982. This action was taken as a cost containment measure.

Inspiration Coal's other coal mining operations are currently operating at less than 50% of capacity because of the depressed market for coal and overall are incurring operating losses before interest expense. Although immediate market improvement is not anticipated, Inspiration Coal will maintain its production facilities in a normal state of repair until coal markets improve, with financial assistance provided by Plateau Holdings as necessary.

Concurrent with the above action, Inspiration Coal reduced staff to reduce costs and significantly realigned its management structure to improve management efficacy.

16. Retirement Plans

HBMS and its subsidiaries maintain noncontributory retirement plans which cover substantially all salaried and hourly paid employees.

During 1982 and 1981, upon the recommendation of HBMS' actuaries, the actuarial bases of the retirement plans were reviewed and modified to reflect current economic factors. The effect was to increase the carrying value of pension assets by approximately $7,200,000 in 1982 and to reduce the present value of benefit obligations by approximately $13,000,000 in 1981. The resultant surpluses of plan assets over liabilities were applied against 1982 pension costs and were used to upgrade certain benefits calculated to cost $9,700,000 in 1981.

Total cost of the plans approximated $2,250,000 in 1982; $3,000,000 in 1981; $3,000,000 in 1980 including past-service costs of nil in 1982; $268,000 in 1981; $1,783,000 in 1980.

17. Related Party Information (refer to Note 2 and chart on page 5)

HBMS provides administrative and marketing services in Toronto and New York to certain Plateau group companies. HBMS also provides administrative services in Toronto to certain Mincan group companies, some of which are joint venture partners with HBMS in certain exploration projects. The applicable costs are shared on a time or activity basis amongst the parties involved without any profit element. Total transactions with the Plateau Group for these types of services amounted to $5,259,000 during 1982. Accounts receivable included $612,000 at December 31, 1982 due from the Plateau Group which arose as a result of these services. Included in accounts payable is $2,510,000 held on behalf of the Plateau Group and used for margin deposits to commodity brokers.

HBMS and Mincan equally own a company, Ambay Services Limited (Ambay), that handles the surplus funds, cash requirements and money market activities of certain related companies, at relevant market rates. The amount which HBMS had on deposit with Ambay fluctuated during the year with the maximum amount being $17,337,000; 1981 — $92,076,000; 1980 — $100,417,000; and the amount at December 31, 1982 was $5,001,000; December 31, 1981 — $6,788,000. HBMS earned interest of $958,000 on these deposits in 1982; $7,312,000 in 1981; $11,002,000 in 1980.

Ambay advances to the Mincan Group fluctuated during the year with the maximum amount being $12,173,000; 1981 — $23,412,000; 1980 — $24,032,000; and the amount at December 31, 1982 was $700,000; December 31, 1981 — $5,000.

HBMS has a two-thirds interest in, and is manager of, a joint venture to operate the Whitehorse Copper mine; Mincan has the remaining one-third interest. HBMS buys all of the concentrate produced by the joint venture at market prices for the metal contained and charges the joint venture for refining and marketing the metal. HBMS purchased 19,390 tons of concentrate for $16,468,000 net of refining and marketing charges in 1982; 26,230 tons for $32,172,000 in 1981; 20,535 tons for $31,973,000 in 1980; and received $1,200,000 as a depreciation charge in each of the years 1980 to 1982. HBMS' share of earnings (loss) of the joint venture was $(2,299,000) in 1982; $6,657,000 in 1981; $10,788,000 in 1980. The Whitehorse Copper mine was permanently shutdown effective December 31, 1982. The purchase of concentrate by HBMS will continue during 1983 until all concentrate inventory is depleted.

18. Differences Between Canadian and United States Generally Accepted Accounting Principles

As disclosed in Note 1, the financial statements are prepared in accordance with accounting principles generally accepted in Canada. The main differences between Canadian and United States generally accepted accounting principles which affect the earnings of HBMS are as follows:

(a) **Foreign currency transactions:**
Accounting principles in the U.S. require the recognition of unrealized exchange gains and losses on conversion of foreign currency long-term debt because of the use in the U.S. of end-of-period rates of exchange.

(b) **Capitalization of interest costs:**
Accounting principles in the U.S. require that interest costs during construction of certain assets be capitalized as part of the historical cost of such assets.

A reconciliation of net earnings (loss) as reported with net earnings (loss) determined in accordance with generally accepted accounting principles in the United States is set forth below.

	1982	1981	1980
	(in thousands)		
Net earnings (loss) as reported	$(8,689)	$(10,753)	$ 63,108
Foreign currency	(4,353)	4,405	(410)
Capitalized interest (net of related depreciation)	8,808	3,531	1,176
	4,455	7,936	766
Provision for income taxes	2,280	1,190	155
	2,175	6,746	611
Net earnings (loss) in accordance with generally accepted accounting principles in the U.S.	$(6,514)	$ (4,007)	$ 63,719
Earnings (loss) per share in accordance with generally accepted accounting principles in the U.S.	$ (0.64)	$ (0.39)	$ 6.23

19. Supplementary Information on Changes in Cash and Short-Term Deposits

	1982	1981	1980
	(in thousands)		
Operations:			
Earnings (loss) from operations	$(38,296)	$(7,596)	$24,590
Depreciation, depletion and amortization	24,192	27,555	23,732
Deferred taxes	(22,187)	1,539	3,097
Dividends from associated companies	2,400	2,975	5,719
Other	376	63	2,511
Working capital provided by (applied to) operations	(33,515)	24,536	59,649
Increase in other assets	(805)	(3,572)	(3,005)
Decrease (increase) in operating working capital, excluding cash and short-term deposits	10,713	(23,553)	303
	(23,607)	(2,589)	56,947
Investment Transactions:			
Reorganization of petroleum interests (Note 3)	28,635	—	—
Proceeds on sale of power plant (Note 13)	18,895	38,561	—
Proceeds on sale of investment	—	—	50,448
Investment in associated companies	(2,522)	(12,943)	(637)
Other investments	1,520	(4,653)	(4,413)
Additions to property, plant and equipment	(43,285)	(81,422)	(36,648)
	3,243	(60,457)	8,750
Financial Transactions:			
Dividends	(1,072)	(10,607)	(12,122)
Increase (decrease) in short-term borrowings	(10,355)	9,657	698
Long-term debt:			
— proceeds	30,000	—	—
— reductions	(2,826)	(4,619)	(14)
	15,747	(5,569)	(11,438)
Increase (decrease) in Cash and Short-Term Deposits	$ (4,617)	$(68,615)	$54,259

	Hudson Bay Mining Consolidated (see note 1 below) (in thousands $ Cdn.) Metals			Plateau Group (see note 2 below) (in thousands $US) Metals		
	1982	1981	1980	1982	1981	1980
Results of Operations for the Year:						
Revenue						
Canadian operations:						
Canada	$ 69,891	$109,249	$116,846	$ —	$ —	$ —
Export — United States	114,052	146,883	163,589	—	—	—
Export — Europe	66,049	35,556	28,223	—	—	—
Foreign operations:						
United States	—	—	—	141,401	157,701	172,620
Southeast Asia	—	—	—	—	—	—
Net sales	249,992	291,688	308,658	141,401	157,701	172,620
Interest income:						
United States (note 3 below)	—	—	366	187	133	—
Canada	6,971	8,126	11,368	—	—	—
Southeast Asia	—	—	—	—	—	—
Other income	(1,723)	12,873	11,794	6,087	15,554	5,384
Total Revenue	$255,240	$312,687	$332,186	$147,675	$173,388	$178,004
Operating Profit (Loss)						
United States	$ —	$ —	$ 366	$ (14,061)	$ (12,669)	$ (10,732)
Canada	(33,261)	3,129	47,083	—	—	—
Southeast Asia	—	—	—	—	—	—
	(33,261)	3,129	47,449	$ (14,061)	$ (12,669)	$ (10,732)
General corporate expenses	(7,191)	(5,760)	(5,494)			
Interest expense	(17,131)	(8,261)	(8,515)			
Income taxes and royalties	19,287	3,296	(8,850)			
Pro-forma minority interests	—	—	—			
Earnings (Loss) from Operations	$ (38,296)	$ (7,596)	$ 24,590			
Financial Position at December 31:						
Current assets	$103,547	$116,507	$173,241	$ 58,518	$ 66,130	$ 65,937
Current liabilities	71,926	72,417	71,722	31,175	38,632	41,152
Working capital	31,621	44,090	101,519	27,343	27,498	24,785
Other assets	418,155	445,585	377,794	165,161	172,366	147,529
Capital employed	449,776	489,675	479,313	192,504	199,864	172,314
Long-term debt	90,229	64,231	67,636	82,960	89,238	74,630
Deferred taxes and other liabilities	54,012	110,148	75,021	848	978	1,182
Net equity	$305,535	$315,296	$336,656	$108,696	$109,648	$ 96,502
Identifiable Assets:						
United States	$162,628	$ 99,476	$ 98,947	$223,679	$238,496	$213,466
Canada	359,074	462,616	452,088	—	—	—
Southeast Asia	—	—	—	—	—	—
Total identifiable assets	$521,702	$562,092	$551,035	$223,679	$238,496	$213,466
Depreciation, depletion and amortization	$ 24,192	$ 27,555	$ 23,732	$ 17,573	$ 15,047	$ 13,590
Capital expenditures	$ 43,285	$ 80,310	$ 36,648	$ 9,512	$ 33,624	$ 43,761

1. **Hudson Bay Mining Consolidated**
   HBMS' only business segment is metals. The operations include exploration, mining, milling, smelting, refining and sale of copper, zinc, gold, silver and cadmium and the production and sale of zinc oxide and zinc diecastings.

2. **Plateau Group**
   A significant portion of the operations of HBMS are conducted through associated companies of the Plateau Group, jointly owned with Minorco.
   The coal selected information includes the results from dates of acquisition during 1981 and 1982 of the companies involved. The agricultural chemicals' selected information includes the results

Coal 1982	Coal 1981	Coal 1980	Agricultural Chemicals 1982	Agricultural Chemicals 1981	Agricultural Chemicals 1980	Petroleum 1982	Petroleum 1981	Petroleum 1980	Corporate 1982	Corporate 1981	Corporate 1980	Combined 1982	Combined 1981	Combined 1980
— $	— $	—	$ — $	— $	—	$ 2,890 $	2,157 $	2,488	$ — $	— $	—	$ 2,890 $	2,157 $	2,488
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
70,552	48,490	—	273,343	319,134	265,714	15,228	15,380	7,162	—	—	—	500,524	540,705	445,496
—	—	—	—	—	—	52,403	49,784	53,949	—	—	—	52,403	49,784	53,949
70,552	48,490	—	273,343	319,134	265,714	70,521	67,321	63,599	—	—	—	555,817	592,646	501,933
437	964	—	3,880	4,811	3,803	1,223	2,455	1,892	233	322	—	5,960	8,685	5,695
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	30	—	—	—	—	—	30
1,058	547	—	4,066	3,469	3,120	3,665	7,854	17,715	(286)	284	—	14,590	27,708	26,219
72,047 $	50,001 $	—	$ 281,289 $	327,414 $	272,637	$ 75,409 $	77,630 $	83,236	$ (53)$	606 $	—	$ 576,367 $	629,039 $	533,877
(5,397)$	1,767 $	(43)	$ (7,193)$	15,931 $	23,862	$ (1,432)$	1,434 $	8,722	$ (53)$	606 $	—	$ (28,136)$	7,069 $	21,809
—	—	—	—	—	—	2,040	1,639	1,803	—	—	—	2,040	1,639	1,803
—	—	—	—	—	—	33,002	37,678	39,920	—	—	—	33,002	37,678	39,920
(5,397)$	1,767 $	(43)	$ (7,193)$	15,931 $	23,862	$ 33,610 $	40,751 $	50,445	$ (53)$	606 $	—	6,906	46,386	63,532
												(2,284)	(1,111)	(24)
												(42,649)	(25,401)	(12,811)
												(4,433)	(28,931)	(40,490)
												(694)	(5,128)	(7,218)
												$ (43,154)$	(14,185)$	2,989
$ 17,666 $	17,507 $	52	$ 121,955 $	122,131 $	109,733	$ 15,991 $	31,096 $	30,095	$ 1,203 $	13,095 $	126	$ 215,333 $	249,959 $	205,943
4,878	7,747	94	63,837	55,672	46,382	14,037	13,153	13,470	63,672	2,615	346	177,599	117,819	101,444
12,788	9,760	(42)	58,118	66,459	63,351	1,954	17,943	16,625	(62,469)	10,480	(220)	37,734	132,140	104,499
129,115	99,836	—	90,731	87,620	50,050	187,096	113,726	71,168	663	—	—	572,766	473,548	268,747
141,903	109,596	(42)	148,849	154,079	113,401	189,050	131,669	87,793	(61,806)	10,480	(220)	610,500	605,688	373,246
62,086	260	—	35,482	29,789	30,858	64,494	25,750	—	62,615	119,509	—	307,637	264,546	105,488
10,155	9,067	—	5,733	5,578	10,832	6,131	24,875	24,538	—	—	—	22,867	40,498	36,552
$ 69,662 $	100,269 $	(42)	$ 107,634 $	118,712 $	71,711	$ 118,425 $	81,044 $	63,255	$(124,421)$	(109,029)$	(220)	$ 279,996 $	300,644 $	231,206
$ 146,781 $	117,343 $	52	$ 212,686 $	209,751 $	159,783	$ 158,335 $	117,695 $	72,322	$ 1,866 $	13,095 $	126	$ 743,347 $	696,380 $	445,749
—	—	—	—	—	—	4,360	2,864	2,998	—	—	—	4,360	2,864	2,998
—	—	—	—	—	—	40,392	24,263	25,943	—	—	—	40,392	24,263	25,943
$ 146,781 $	117,343 $	52	$ 212,686 $	209,751 $	159,783	$ 203,087 $	144,822 $	101,263	$ 1,866 $	13,095 $	126	$ 788,099 $	723,507 $	474,690
$ 4,197 $	3,395 $	—	$ 9,233 $	7,007 $	5,067	$ 16,844 $	15,043 $	18,626	$ — $	— $	—	$ 47,837 $	40,492 $	37,283
$ 4,803 $	1,564 $	—	$ 13,138 $	6,403 $	6,245	$ 18,045 $	56,453 $	31,261	$ — $	— $	—	$ 45,498 $	98,044 $	81,267

Terra on a pro-forma basis for the first six months of 1981 and the full year of 1980. The petroleum selected information includes the results of Trend on a pro-forma basis for the first five months of 1982 and the full years of 1981 and 1980.

The Plateau Group's business segments are defined as follows:

Business segment	Operations
Metals	Exploration, mining, milling, smelting, refining and sale of copper, gold, and silver.
Coal	Mining and sale of coal.
Agricultural chemicals	Production and sale of ammonia and derivatives for inorganic fertilizers, animal feed and seed, purchase of potash, phosphate and agricultural chemicals for production of mixed fertilizers and resale.
Petroleum	Exploration, development, production and sale of natural gas, oil and condensates.
Corporate	Corporate operations relate primarily to the management and administration of cash, short-term securities and investments.

3. Interest Income

Plateau Group interest income is presented after elimination of intercompany interest income of $482,000 in 1982 for agricultural chemicals, $34,000 in 1982 for metals, $8,111,000 in 1982 and $5,698,000 in 1981 for corporate.

Selected Financial Data

	1982	1981	1980	1979	1978
		(in thousands $Cdn except per share data)			
Financial Position:					
Working capital	$ 31,621	$ 44,090	$101,519	$ 54,840	$ 98,980
Total assets	521,702	562,092	551,035	478,727	439,629
Capital employed	449,776	489,675	479,313	424,263	395,239
Long-term debt	90,229	64,231	67,636	71,031	72,795
Shareholders' investment	305,535	315,296	336,656	285,670	262,135
Earnings:					
Revenues:					
Net sales	$249,992	$291,688	$308,658	$271,520	$185,692
Other income	5,248	20,999	23,528	7,654	11,496
Cost and expenses	312,823	323,579	298,746	253,596	200,174
Taxes and royalties	(19,287)	(3,296)	8,850	9,323	(1,318)
Equity earnings (losses)	(25,901)	(3,157)	16,851	12,140	6,868
Earnings (loss) before extraordinary items	(64,197)	(10,753)	41,441	28,395	5,200
Extraordinary items	55,508	—	21,667	3,221	—
Net earnings (loss)	(8,689)	(10,753)	63,108	31,616	5,200
Earnings (loss) per share:*					
Before extraordinary items	(6.27)	(1.05)	4.05	2.78	0.51
After extraordinary items	(0.85)	(1.05)	6.17	3.09	0.51
Other:					
Cash dividends paid	$ 1,072	$ 10,607	$ 12,122	$ 8,081	$ —
Cash dividends declared per share	0.10	1.05	1.20	0.80	—
Stock dividends declared per share	0.20	—	—	—	—
Capital expenditures	43,285	80,310	36,648	37,545	46,811
Investment expenditures	1,002	17,596	5,050	45,023	27,839

*Earnings (loss) per share information has been restated to reflect the 1982 stock dividend.

Auditors' Report

To the Shareholders of
Hudson Bay Mining and
Smelting Co., Limited:

We have examined the consolidated statement of financial position of Hudson Bay Mining and Smelting Co., Limited as at December 31, 1982 and 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with auditing standards generally accepted in Canada, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1982 and 1981 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1982 in accordance with accounting principles generally accepted in Canada applied on a consistent basis, after restatement of the consolidated financial statements for the years 1981 and 1980 as explained in Note 1.

Deloitte Haskins + Sells
Chartered Accountants

Toronto, Canada
March 21, 1983

Selected Quarterly Consolidated Financial Data *(unaudited)*

	Quarters ended			
	March 31	June 30	Sept. 30	Dec. 31
	(in thousands $Cdn except for per share data)			
1982				
Net sales	$ 65,236	$ 60,579	$ 51,203	$ 72,974
Loss before taxes, royalties and other item	(19,278)	(14,779)	(16,335)	(7,191)
Loss before extraordinary item	(24,135)	(13,994)	(20,860)	(5,208)
Net earnings (loss)	(24,135)	(13,994)	(20,860)	50,300
Earnings (loss) per share:				
Before extraordinary item	(2.36)	(1.37)	(2.04)	(0.50)
After extraordinary item	(2.36)	(1.37)	(2.04)	4.92
Cash dividends paid per share	0.10	—	—	—
1981				
Net sales	$ 84,084	$ 74,467	$ 69,712	$ 63,425
Earnings (loss) before taxes, royalties and other items	1,803	5,212	(6,827)	(11,080)
Net earnings (loss)	852	9,065	(4,885)	(15,785)
Earnings (loss) per share	0.08	0.89	(0.48)	(1.54)
Cash dividends paid per share	0.30	0.30	0.30	0.15
1980				
Net sales	$ 87,516	$ 72,109	$ 66,080	$ 82,953
Earnings before taxes, royalties and other items	19,855	6,964	2,579	4,042
Earnings before extraordinary items	20,571	10,345	5,948	4,577
Net earnings	41,564	10,543	5,443	5,558
Earnings per share:				
Before extraordinary items	2.01	1.01	0.58	0.45
After extraordinary items	4.06	1.03	0.53	0.55
Cash dividends paid per share	0.30	0.30	0.30	0.30

Quarterly financial information is restated to reflect the deconsolidation of Francana Oil & Gas Ltd. as explained in Note 1.

Cash Dividends Declared, Market Price Ranges and Related Security Holder Matters *(unaudited) (By Quarters)*

		Market range			
	Cash Dividends Declared (Cdn)	Toronto stock exchange (Principal market, $Cdn)		New York stock exchange ($US)	
1982		High	Low	High	Low
4th	—	18¼	13½	14⅞	10⅞
3rd	—	16¾	12¾	13⅜	10¼
2nd	—	18¾	13⅝	15¼	10⅝
1st	10¢	25	17⅝	20⅞	13¾
1981					
4th	15¢	25¼	21¼	21½	17¾
3rd	30¢	31	22⅞	25⅞	19⅛
2nd	30¢	35	28	29⅞	23½
1st	30¢	37⅜	29½	31	24⅝

On December 31, 1982 HBMS had 7,654 shareholders (1981 — 8,316) and the total number of shares issued was 10,231,044 (1981 — 10,101,739).

Directors

E.M. Carson, Phoenix
President and Chief
Executive Officer
First Interstate Bank of Arizona, N.A.

J.N. Clarke, London
Deputy Chairman and Chief Executive
Charter Consolidated P.L.C.
An industrial and mining company

***†H.P. Crawford, Q.C., Toronto**
A Senior Partner
Osler, Hoskin & Harcourt
Barristers and Solicitors

E.P. Gush, Toronto
Former Chairman, President &
Chief Executive Officer
Hudson Bay Mining

+R.H. Jones, Winnipeg
Chairman and Chief Executive Officer
The Investors Group
A financial holding company

***+†A.T. Lambert, Toronto**
Former Chairman
The Toronto-Dominion Bank
A Canadian chartered bank

J.R.B. Phillimore, London
Vice President — Administration
Minorco
An investment company

G.W.H. Relly, Johannesburg
Chairman
Anglo American Corporation
of South Africa Limited
A mining and finance company

***+†R.F. Richards, Far Hills**
Chairman, President &
Chief Executive Officer
Hudson Bay Mining

***†A. Sweatman, Q.C., Winnipeg**
Partner; Thompson, Dorfman, Sweatman
Barristers and Solicitors

J.D. Taylor, Q.C., Toronto
Company Director

V. Van Sant, Jr., Calgary
Consultant

*Member of Executive Committee
+Member of the Audit Committee
†Member of Compensation Committee

Officers

R.F. Richards
Chairman, President and Chief
Executive Officer

J.B. Howkins
Executive Vice-President

H.S. Schwartz
President
Canadian Metals Division

M.B. O'Shaughnessy
Senior Vice-President, Marketing

C.K. Taylor, Q.C.
Senior Vice-President
Secretary and General Counsel

D.W. Perks
Chief Financial Officer,
Vice-President, Finance and
Treasurer

S.R. Horne
Vice-President, Investments

D.H. Houston
Vice-President, Taxation

W.A. Atkinson
Comptroller

S. Kozel
Assistant Secretary

Major Holdings

Metals

CANADIAN METALS DIVISION:
Flin-Flon/Snow Lake Operations (100%)
Francana Minerals Division (100%)
Hudson Bay Diecastings Division (100%)
Tantalum Mining Corporation of
Canada Limited (37.5%)
Zochem Division (100%)

Compania Cuprifera La Verde, S.A. (32%)
Hudson Bay Exploration and
Development Company Limited (100%)
Inspiration Consolidated Copper Company (50%)
Inspiration Mines Inc. (50%)
Stikine Copper Limited (35.8%)

Coal

Inspiration Coal Inc. (50%)

Fertilizers and Agricultural Products

Terra Chemicals International, Inc. (50%)

Petroleum

Trend International Limited (50%)

Transfer Agents

The Royal Trust Company —
Montreal, Toronto, Winnipeg,
Regina, Calgary, Vancouver.
Morgan Guaranty Trust Company
of New York —
New York, N.Y.

Registrars

Montreal Trust Company —
Montreal, Regina
Crown Trust Company —
Toronto, Winnipeg, Calgary, Vancouver
The Chase Manhattan Bank —
New York, N.Y.

Further information concerning HBMS is contained in the Form 10-K annual report of HBMS for the fiscal year ended December 31, 1982 filed with the U.S. Securities and Exchange Commission. A copy of HBMS' Form 10-K may be obtained from HBMS by any shareholder, upon request, without charge.

Canadian Metals Division

H. S. Schwartz
President

A. Pyatt
Senior Vice-President,
Operations

G. D. Faught
Vice-President,
Finance

W. K. Callander
Vice-President and
General Manager
Flin Flon/Snow Lake

R. O. Burt
Manager,
Tantalum

D. B. Clark
General Manager,
Industrial Division

R. V. Tomkins
General Manager,
Francana Minerals

Inspiration Coal Inc.

R. E. Exum
President

G. S. Carter
Vice-President,
Planning and Development

J. E. Nypaver
Vice-President,
Production

R. M. Schafer
Vice-President,
Marketing

T. M. Young
Vice-President,
Operations

Inspiration Consolidated Copper Company

Peter Steen
President and
Chief Executive Officer

J. Burgess Winter
Vice-President and
General Manager

Robert F. Morison
Vice-President,
Administration and Secretary

Michael B. Smith
Vice-President,
Finance and Treasurer

Jacob Timmers
Assistant General Manager

Hudson Bay Exploration and Development Company

Dr. J. B. Howkins
President

P. L. Martin
Vice-President

G. E. Bidwell
District Manager, Whitehorse

A. T. Baumgartner
Chief Exploration Geologist,
Flin Flon

A. A. Walker
Chief Mine Geologist, Flin Flon

J. G. Bragg
Senior Staff Geologist, Toronto

Inspiration Development Company

Dr. J. B. Howkins
President and
Chief Executive Officer

J. G. Kuhn
Vice-President

H. W. Olmstead
Chief Exploration Geologist

T. A. Conto
Chief Geophysicist

Terra Chemicals International, Inc.

William T. Dible
President and
Chief Executive Officer

Raymond H. Armor
Senior Vice-President,
Finance and Secretary

Lawrence W. Galloway
Senior Vice-President,
Corporate Affairs

Paul D. Foster
Vice-President,
Retail

James F. Kisela
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Personnel

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Captions for inside front cover and page one.

1. Jake Timmers (left), assistant general manager and Stewart Smith, smelter manager, oversee smelting at Inspiration Copper's plant.

2. In discussion in Trend's drafting room are, left to right, John Redmond, vice-president, geology; Janet Smith, draftsman; David Martin, vice-president, engineering; and Woody Hardman, senior vice-president, exploration.

3. Paul Hurley, left, vice-president, Harman Mine, and Dutch Asbury, president, Sovereign Coal, get together to talk over production.

4. James Kisela, left, vice-president, personnel, and Lawrence Galloway, senior vice-president, corporate affairs, meet informally in the corporate offices at Terra.

5. Larry Thompson, left, works manager at the Port Neal Works of Terra, points out a maintenance project to Chuck Nevaril, vice-president, supply and distribution.

6. Frances Yungwirth, left, mine superintendent, discussing schedule with Reg Luchuck, hoistman at South Main, Flin Flon.

7. Harold Schwartz, centre, president of Canadian Metals, makes a point in conference with Alan Pyatt, left, senior vice-president, operations and George Faught, vice-president, finance.

8. Carl Wagonner, left, Inspiration Copper mine maintenance superintendent, points to the open pit where shovel operator, Ray Lewis, will take ore from.

9. Selling coal to international markets requires constant travel. Here, Bob Schafer, left, vice-president, marketing, and Ray Exum, president, arrive home after a long trip.

10. Jim Yingst, foreground, superintendent, concentrator, watches operations with Bob Prescott, manager, metallurgical operations in Inspiration Copper concentrator.

11. New computer equipment is demonstrated at Terra by Ron Dollerschell to Ray Armor, left, senior vice-president, finance and secretary, Bill Dible, president and chief executive officer and Jim Wokosin, vice-president, information systems.

12. Bunny Barlin, right, assistant general manager, metallurgy and services and Gil Desroches, centre, zinc plant superintendent, observe John Cook skimming dross off the surface of a zinc mold.

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